FP NEWSPAPERS INCOME FUND

ANNUAL REPORT 2003

Winnipeg Free Press

BRANDON SUN

“Newspapers with deep roots

and long histories, serving their communities"

NEWSPAPERS fp INCOME FUND

LETTER TO THE UNITHOLDERS

Fiscal 2003 was a year of building — building our products, building our revenues and financial results, building our market share and building our management strength.

Our newspapers have deep roots and long histories. The Free Press began publishing in 1872, and the Brandon Sun 10 years later. Both have long focussed on serving their communities as voices for progress and prosperity, for social development and for building commerce. But even with such well-established products, in today's media marketplace, constant change and improvement must be the norm — and so it is for our newspapers.

At the Winnipeg Free Press, the product was strengthened in 2003 through three main initiatives: a new Saturday feature section to help maintain the paper's extra readership on that key day; on Sundays, a new Entertainment section and Perspective, a revised section of background, analysis and coverage of books; and a new focus in the second section daily on news and features from in and around the Winnipeg area. These content improvements followed on several that were described to you in last year's report, which were maintained and enhanced in 2003 while the new changes were made. Our strategy is to build improvement on improvement, and we will continue.

Management strength at the Free Press was built with the hiring of a new Publisher, allowing our President to focus on overall strategy and on future acquisitions, and a new Manager of Newspaper Sales. The latter addition was part of the beginnings of a re-organization of the old Circulation department into a sales-focused operation. Our Director of Advertising and Marketing now also has Newspaper Sales reporting to him, so that the Free Press can bring all of its sales strength and relationships to bear on circulation.

The Free Press has also hired a new Manager of Employee Relations to help enhance focus on improved relations with staff, unionized and non-unionized, to better tap into the strengths of all employees.

Revenue and market share were also built in Winnipeg. While 2003 saw a small decline in newspaper sales — but an increase in revenue from the subscription price increases implemented at the beginning of the year — overall our position in respect to competitors remains dominant. Our focus for the immediate future is to build circulation numbers while continuing to improve revenue and market share. Advertising growth came from strong initial relationships with some new retailers in the market, continued strength in serving existing customers, especially in the area of inserts, and some specific targeted products.

The Brandon Sun approached its market aggressively as well. A small increase in the price of home delivery of the newspaper was accompanied by editorial improvements, as two pages of content were added six days a week to improve service to readers and maintain our position as the pre-eminent deliverer of news and information in Manitoba's second largest city.

A major investment was committed in computer-to-plate technology, which will be financed through a capital lease, to meet the requirements of printing the Globe and Mail. This is a strategic investment which adds to the flexibility of printing the

"We've added new sections to the Saturday and Sunday Free Press"

LETTER TO THE UNITHOLDERS

Brandon Sun itself. The combined operations of the commercial print contract for the Globe and the operations of the Brandon Sun itself continue to provide the Trust with a diversified revenue source. At the Sun, overall revenues showed modest growth in 2003 while costs were held to previous year's levels.

A restructuring of senior management is underway to establish a local publisher at the Brandon Sun. The President has been taking on these duties himself and it is time to establish more local leadership.

Media overall continues to fragment, with new players in radio and TV, especially, and new competitors on the internet. Nay-sayers see this as a threat to traditional broadsheet newspapers, but while we can never rest in the face of competition, the truth is that the longstanding dominance of our newspapers is an even greater asset as the media marketplace evolves. No one can match our reach or effectiveness, and this is more true today, not less. And our products attract the most sought-after audiences. Our highest penetrations are among those in our communities with advanced education, high salaries and significant disposable income.

Building our revenue — to just under $100 million — allowed us to report strong financial results for the year. As explained in greater detail in the financial information in this report, the business generated distributable cash attributable to the Fund of $1.38 per Unit in 2003. During the year, the Fund declared distributions of $1.21 per Unit, resulting in a payout ratio of 88 percent. In October 2003, the Trustees announced a five percent increase in the monthly distributions of the Fund, to 10.5 cents per month or $1.26 per annum.

Our Winnipeg and Brandon newspapers both continue to provide important support to their communities. Charities promoted by the Free Press increased their profile and the amount of money collected and good work performed. Excellent examples are the Christmas Cheer Board and its offshoot, Pennies from Heaven, which was joined by the Polo Park Shopping Centre, helping further connect the Free Press to important clients.

Consistent with our plan to diversify and grow, a contract was struck in February this year to print the National Post on our Winnipeg presses for distribution in Manitoba and northwestern Ontario. The Partnership continues to look for printing and other opportunities to enhance the funds flowing to the Trust.

We are building a solid footing for growth. We would like to recognize the efforts of both management and staff for their ongoing innovation, creativity and work in moving the business forward, and look to further improvements in the coming years.

Ronald N. Stern

RONALD N. STERN
Chairman and Trustee

R. Redekop

RUDY REDEKOP
President

March 19, 2004

FINANCIAL AND OPERATING HIGHLIGHTS

MANITOBA NEWSPAPER OPERATIONS

in millions of dollars	2003	2002[2]	2001	2000	1999
revenues	$100	$95	$97	$98	$96
EBITDA[1]	$24	$22	$23	$25	$24

FP NEWSPAPERS INCOME FUND[3]

Distributable cash attributable to the Fund[1]	$9.5 million	$5.2 million	n/a	n/a	n/a
Distributions declared	$8.4 million	$5.3 million	n/a	n/a	n/a
Distributions/unit	$1.210	$0.765	n/a	n/a	n/a

FINANCIAL AND OPERATING HIGHLIGHTS IN 2003

Average daily advertising revenue increased by 3.2% as consumer confidence began to recover in Canada.

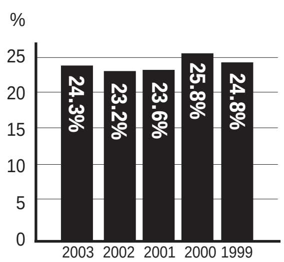
Newsprint costs increased by $1.6 million or 12.2% resulting from a 7.4% increase in newsprint prices together with additional usage.

Editorial content continued to be added to the Winnipeg Free Press and Brandon Sun to deliver more value to readers and advertisers.

Murdoch Davis assumed the position of Publisher at the Winnipeg Free Press on July 21.

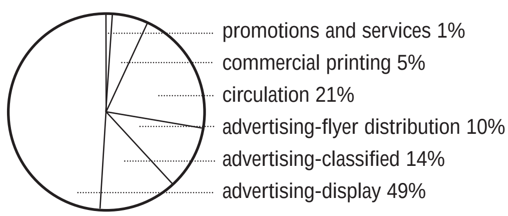
Capital project committment at the Brandon Sun to invest in computer-to-plate technology.

EBITDA[1]



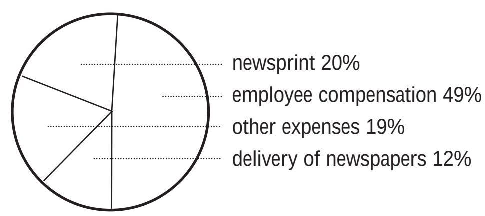
Relatively steady EBITDA[1] margins have been maintained, even with the negative effect of a strike in 2002.

COMPONENTS OF REVENUE



More than 70% of revenue is generated from advertising sources, with display advertisers supplying the major share.

COMPONENTS OF OPERATING EXPENSES EXCLUDING AMORTIZATION



Employee compensation, and Winnipeg city-carrier delivery costs are under contract until 2005.

[1] Management's discussion and analysis provides an explanation of how these financial measures are calculated and provides a reconciliation to the audited financial statements.
[2] Figures for 2002 include the negative impact of the loss of nine publishing days due to a strike at the Winnipeg Free Press.
[3] The Fund commenced operations on May 28, 2002 and therefore 2002 results reflect only the period from May 28, 2002 to December 31, 2002.

"Staff are committed to providing the best service to customers"



MANAGEMENT'S DISCUSSION AND ANALYSIS

March 19, 2004

Management's Discussion and Analysis provides a review of significant developments that have affected the Fund's performance during 2003. Factors that could affect future operations are also discussed. These factors may be affected by known and unknown risks and uncertainties that may cause the actual future results to be materially different from those expressed in this discussion.

FORMATION AND LEGAL ENTITIES

FP Newspapers Income Fund (the "Fund") was created on May 15, 2002 and commenced operations on May 28, 2002 when it completed an Initial Public Offering and purchased an interest in FP Canadian Newspapers Limited Partnership ("FPLP"). The Fund owns securities entitling it to 49% of the distributable cash [(1)] of FPLP. The Fund is dependant on the operations of FPLP, its sole investment.

FPLP is a limited partnership formed on August 9, 1999. FPLP acquired the business and assets, and assumed certain liabilities, of the Winnipeg Free Press and Brandon Sun newspapers effective November 29, 2001.

FP NEWSPAPERS INCOME FUND

The consolidated financial statements of the Fund report the results of operations for the year ended December 31, 2003 and the period from May 28, 2002 to December 31, 2002. A summary of selected financial information is as follows:

	Year ended December 31, 2003	Period from May 28, 2002 to December 31, 2002
	$ Thousands except per unit amounts	
Revenue	7,426	3,787
Net earnings	7,133	3,661
Net earnings per unit	1.033	0.530
Total assets	66,956	68,288
Distributions declared	8,352	5,277
Distributions declared per unit	1.210	0.765

The Fund earned total revenue of $7,426,000 of which $7,424,000 represented income from its investment in FPLP for the year ending December 31, 2003 and $2,000 represented interest income on cash balances compared to total revenue for the period from May 28, 2002 to December 31, 2002 of $3,787,000. Of the 2003 revenue, from its investment in FPLP, $7,815,000 (2002 - $4,706,000) was earned as interest on the 11.5% subordinated notes issued by FPLP to the Fund and ($391,000) (2002 - ($919,000)) represents the Fund's equity interest from its Class A limited partnership units. The Fund incurred $293,000 (2002 - $126,000) in operating expenses, resulting in net earnings for the year ended December 31, 2003 of $7,133,000 and $3,661,000 for the period from May 28, 2002 to December 31, 2002.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Distributable cash attributable to the Fund [1] for the year ended December 31, 2003 was $9.5 million, or $1.381 per unit. The Fund declared distributions of $1.210 per unit during this period resulting in a payout ratio of 87.6%. Since inception on May 28, 2002, the Fund has generated distributable cash attributable to the Fund[1] of $2.136 per Unit and declared distributions of $1.975 per unit, resulting in a cumulative payout ratio of 92.4%.

The excess of distributable cash attributable to the Fund[1] over distributions paid by the Fund has increased the cash balances of both FPLP and the Fund. These cash balances may be used to pay future distributions, to reduce debt, to fund future capital expenditures or for other general purposes.

Distributions declared to unitholders for the year ending December 31, 2003 were as follows:

Record Date	Payment Date	Amount per Unit
January 31, 2003	February 27, 2003	$0.1000
February 28, 2003	March 28, 2003	0.1000
March 31, 2003	April 29, 2003	0.1000
April 30, 2003	May 29, 2003	0.1000
May 30, 2003	June 27, 2003	0.1000
June 30, 2003	July 30, 2003	0.1000
July 31, 2003	August 28, 2003	0.1000
August 29, 2003	September 29, 2003	0.1000
September 30, 2003	October 30, 2003	0.1000
October 31, 2003	November 27, 2003	0.1000
November 28, 2003	December 30, 2003	0.1050
December 31, 2003	January 29, 2004	0.1050
		$1.2100

The distribution policy of the Fund is to make distributions in approximately equal monthly amounts based on expected operating results.

At December 31, 2003 The Fund has 6,902,592 units issued and outstanding (2002 - 6,902,592).

SUMMARY OF QUARTERLY RESULTS

A summary of the Fund's quarterly revenue, net earnings and net earnings per unit since inception on May 28, 2002 is as follows:

	2003	2002
	$ Thousands except per unit amounts	
Revenue		
Quarter 1	1,470	n/a
Quarter 2	2,056	866[*]
Quarter 3	1,447	1,310
Quarter 4	2,453	1,611[**]
Net earnings		
Quarter 1	1,407	-
Quarter 2	1,995	848[*]
Quarter 3	1,372	1,262
Quarter 4	2,359	1,551[**]
Net earnings per unit		
Quarter 1	0.204	n/a
Quarter 2	0.289	0.123[*]
Quarter 3	0.199	0.183
Quarter 4	0.342	0.225[**]

(*) The Fund commenced operations on May 28, 2002, therefore the 2002 second quarter results were for a partial quarter.

(**) The 2002 fourth quarter results of the Fund were impacted by the loss of nine publishing days at the Winnipeg Free Press due to a strike by unionized employees and newspaper carriers.

MANAGEMENT'S DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS OF FPLP

(Manitoba Newspaper Operations for 2001[4])

Selected annual financial information of FPLP is as follows:

	2003	2002	2001[4]
		$ Thousands	
Revenue	99,806	94,640	97,339
EBITDA [2]	24,250	21,977	22,957
Net earnings	7,337	7,716	n/a[4]
Total assets	162,995	165,678	n/a[4]
Total long-term liabilities	126,554	127,554	n/a[4]

REVENUE

A summary of revenue by major category is as follows:

	2003	2002	2001[4]
		$ Thousands	
Advertising	$72,115	$67,890	$69,724
Circulation	21,207	20,015	20,557
Commercial printing	5,063	5,177	5,577
Promotions and services	1,421	1,558	1,481
	$99,806	$94,640	$97,339

Revenue for the year ended December 31, 2003 was $99.8 million compared to $94.6 million for the same period last year. Revenue in 2002 was reduced by the loss of nine publishing days in October due to a strike by the unionized employees and carriers at the Winnipeg Free Press. Revenue for the eleven months excluding the month of October[3] was $91.1 million in 2003 a 2.7% increase compared to $88.7 million for the same eleven months last year. The largest advertising category contributing to this growth was advertising flyer distribution revenue which was primarily resulting from increases in the number of pieces delivered. Growth in volumes of flyer advertising pieces is not unique to our markets and is evident across all other comparably sized daily newspapers across Canada. Circulation revenue increased in 2003 resulting from a subscription rate increase implemented during the first quarter of the year partially offset by a small decline in average unit sales. The Canadian newspaper publishing industry has been experiencing slow declines in circulation unit sales over the past few years attributable to factors such as changing demographics, lifestyle changes and changes in technology.

OPERATING EXPENSES EXCLUDING AMORTIZATION

Operating expenses excluding amortization by major category is as follows:

	2003	2002	2001[4]
		$ Thousands	
Employee Compensation	$37,077	$35,892	$35,166
Newsprint	15,129	13,484	16,653
Delivery of Newspapers	8,758	8,154	8,334
Other	14,592	15,133	14,229
	$75,556	**$72,663**	**$74,382**

Operating expenses excluding amortization for the twelve months ended December 31, 2003 were $75.6 million an increase of 4.0% compared to $72.7 million in the same period last year. Operating expenses excluding amortization and excluding October[3] were $69.1 million compared to $67.2 million last year, an increase of 2.8%. During this eleven month period employee remuneration, including pension and non-pension benefits costs and payroll taxes, increased $0.5 million or 1.5% primarily resulting from the contracted wage increases in the collective agreements. The cost of newsprint for the eleven months excluding October increased by $1.2 million or 9.7% resulting from a 7.4% increase in average newsprint prices together with additional usage.

Operating earnings before amortization (EBITDA[2]) in the year ended December 31, 2003

"A contract has been struck to print the National Post"

was $24.3 million compared to $22.0 million in the same period of 2002, representing a 10.3% increase. EBITDA[2] for 2003 excluding the month of October[3] increased by $0.5 million or 2.3% to $22.0 million versus $21.5 million in the same eleven month period in 2002. EBITDA[2] margin for the twelve months ended December 31, 2003 increased to 24.3% from 23.2% in the same period of the prior year, but decreased slightly to 24.2% from 24.3% for the eleven months excluding October[3], compared to 2002.

Amortization of property, plant and equipment in the year ended December 31, 2003 was $4.4 million compared to $4.3 million in 2002, all of which relates to the newspaper publishing business acquired in late 2001 and capital expenditures since the acquisition.

Interest expense on the term credit facility was $3.1 million for the year ended December 31, 2003 compared to $3.9 million for the twelve months ending December 31, 2002. The decrease is primarily due to the reduction in the term loan by $40.4 million in May 2002, in connection with the creation of the Fund. The average interest rate applicable to the term credit facility during the twelve months ended December 31, 2003 was 5.2% compared to 5.1% for the same period in 2002. Interest expense on the subordinated notes issued May 28, 2002 was $7.8 million, for the year ended December 31, 2003, compared to $4.7 million last year. The increase in subordinated note interest is due to these notes being issued on May 28, 2002 and therefore interest charges were incurred for the entire 12 months in 2003 compared to a partial period in 2002.

Net earnings for the year ended December 31, 2003 was $7.3 million, and represented 7.4% of revenue compared to $7.7 million and 8.2% of revenue for the 12 months ended December 31, 2002.

SUMMARY OF QUARTERLY RESULTS

Newspaper publishing is, to a certain extent, a seasonal business with a higher proportion of revenues and operating earnings occurring during the second and fourth quarters of the calendar year. Quarterly Revenue and EBITDA[2] of FPLP for 2003 and 2002 and the Manitoba Newspaper Operations[4] for 2001 together with net earnings of FPLP by quarter for 2003 and 2002 are as follows (quarterly net earnings for the 2001 year of FPLP is not meaningful since operations were insignificant until the purchase of the newspaper operations from The Thomson Corporation in November of 2001):

Revenue	**2003**	**2002**	**2001**
		$ Thousands	
Quarter 1	$23,706	$23,610	$23,026
Quarter 2	25,568	24,809	25,135
Quarter 3	23,885	22,677	22,981
Quarter 4	26,647	23,544(*)	26,197
	$99,806	**$94,640**	**$97,339**

EBITDA[2]	**2003**	**2002**	**2001**
Quarter 1	$5,204	$5,139	$4,521
Quarter 2	6,501	6,403	6,210
Quarter 3	5,281	4,977	4,858
Quarter 4	7,264	5,458(*)	7,368
	$24,250	**$21,977**	**$22,957**

Net Earnings	**2003**	**2002**
Quarter 1	$1,073(**)	$2,646
Quarter 2	2,249(**)	3,107
Quarter 3	983	674
Quarter 4	3,032	1,289(*)
	$7,337	**$7,716**

*The decline in revenue, EBITDA[2] and net earnings in the fourth quarter of 2002 resulted primarily from the loss of 9 publishing days at the Winnipeg Free Press due to a strike by unionized employees and newspaper carriers.

MANAGEMENT'S DISCUSSION AND ANALYSIS

** The decline in net earnings in the first and second quarters of 2003 is primarily due to the introduction of interest expense on the subordinated notes which were issued during the Initial Public Offering in May of 2002 , partly offset by a decline in the interest on the term loan.

LIQUIDITY AND CAPITAL RESOURCES OF FPLP

CASH FLOW FROM OPERATIONS

During the year ended December 31, 2003, cash generated from operating activities was $14.8 million, including $1.3 million from a decrease in non-cash working capital items. $1.1 million of this decrease was due to an increase in accounts payable and accrued liabilities primarily related to an increase in newsprint shipments received combined with the timing of invoice payments.

CONTRACTUAL OBLIGATIONS

A summary of FPLP's contractual obligations by period are as follows:

		Payments Due by Period			
	Total	Less than 1 year	1-3 Years	4-5 Years	After 5 Years
			$ Thousands		
Long-term debt(*)	$59,600	-	$59,600	-	-
Operating leases	289	111	173	5	-
Subordinated notes(**)	66,954	-	-	-	66,954
Total Contractual obligations	$126,843	$111	$59,773	$5	$66,954

(*) The term loan matures in May 2005 and FPLP has started to review refinancing options, however, no decisions or committments have been completed as of the date of this report.

(**) The subordinated notes are owned by the Fund.

RESERVE FOR MAINTENANCE CAPITAL

Under the terms of the Amended and Restated Agreement of Limited Partnership dated May 24, 2002, the Managing General Partner is required to determine reserves which are necessary or desirable to withhold from any distributions to Partners, including among other things for capital expenditures and operating expenses. During the fourth quarter of 2003, the Managing General Partner determined that it was desirable to establish a reserve of $0.6 million for future maintenance capital spending. Increases in the reserve for future maintenance capital is shown as a deduction in determining distributable cash(1) of FPLP. Decreases in the reserve for future maintenance capital would be shown as an increase in the determination of distributable cash(1). This reserve is a non-GAAP measure established and utilized at the discretion of the board of directors of FPLP, and has no impact on the GAAP financial statements.

CAPITAL EXPENDITURES

Maintenance capital purchases, representing the replacement of capital in order to sustain current business operations, totaled $0.4 million for the year ended December 31, 2003 compared to $0.9 million last year. Maintenance capital expenditures for the year were lower than our annual estimated maintenance capital requirements of $1.0 million primarily due to the deferral of non-essential capital projects. FPLP does expect that maintenance capital spending will return to a more normal level of $1.0 million in 2004.

At December 31, 2003 FPLP has committed to a capital project at the Brandon Sun to invest in computer-to-plate ("CTP") technology. This investment in Brandon is required to meet production requirements of the Globe and Mail. The total estimated cost of the project which is expected to be operational in April 2004 will be approximately $1.1 million and will be financed by way of a capital lease. CTP technology allows for images to be reproduced directly from a computer on to a printing plate, eliminating the need for film processing and improving the quality of print reproduction.

"No one can match our newspapers' reach or effectiveness"


MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCING ACTIVITIES

On January 4, 2002 FPLP borrowed $100.0 million under its term credit facility. These funds were used to return a portion of the capital contributed by the limited partners in the prior year. On May 28 and June 27, 2002, in connection with the Initial Public Offering of the Fund, FPLP issued Class A limited partnership units and subordinated notes to the Fund for proceeds totaling $69.0 million. These funds were used to reduce borrowings under the term credit facility by $40.4 million, to make distributions as a partial return of capital to the general partners of $24.3 million, and to pay expenses of the financing of $4.3 million.

DISTRIBUTIONS TO PARTNERS

Distributions to partners of FPLP for the year ended December 31, 2003 totaled $11.3 million of which $1.2 million was paid to the Fund as holder of Class A limited partnership units. The excess of distrubtable cash[1] over distributions paid by FPLP has increased the cash balance of FPLP. This cash balance may be used to pay future distributions, to reduce debt, to fund future capital expenditures or for other general purposes.

OFF-BALANCE SHEET ARRANGEMENTS

With the exception of interest rate swaps and interest rate cap agreements entered into by FPLP to manage interest rate risks which are designated as hedges (see details of these agreements in notes 5 and 12 of the FPLP Audited Financial Statements) there are no other off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

FPLP purchases a portion of its newsprint requirements from Alberta Newsprint Company ("ANC") a joint venture equally owned by a limited partnership controlled by Ronald N. Stern, (Chairman of the Board and Director of FPLP), and West Fraser Mills Ltd. ANC is a supplier of newsprint to a number of other newspaper publishing operations in both Canada and the United States. ANC is one of three qualified suppliers of newsprint to FPLP. Total newsprint purchases from ANC based on actual invoice prices for the 12 months ending December 31, 2003 were $10.8 million (2002-$7.7 million). While there is no formal contractual obligation in place with respect to future newsprint purchases, selection of suppliers will continue to be made by management based on criteria approved by the Audit Committee of FPLP. The Audit Committee reviews newsprint purchasing details with management on a regular quarterly basis.

CRITICAL ACCOUNTING ESTIMATES

FPLP has estimated the fair value and useful life of 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 changes to these factors could result in a material impairment of the fair value and / or life of these assets.

In performing the annual impairment testing of goodwill and intangibles, a number of assumptions and estimates are made in applying a fair value test. The fair value definition used is the amount at which an asset could be bought or sold in a current transaction between knowledgeable, willing parties. Valuation techniques used include either a market approach or a discounted cash flow ("DCF") approach. The market approach is used where comparable public market data is available. The projections used in the DCF approach represent management's best estimates of expected operating results and use a range of discount rates taking into consideration factors such as the size of the operations and the risk profile.

Had different assumptions or valuation techniques been used in performing the impairment testing, the carrying value of definite life and indefinite life intangibles and goodwill may have been different. FPLP considers the assumptions and techniques used to be reasonable.

NEW ACCOUNTING DEVELOPMENTS

ACCOUNTING POLICIES ADOPTED DURING THE YEAR

AcG 14 Disclosure of Guarantees:

The CICA has issued this guideline which was effective for interim

MANAGEMENT'S DISCUSSION AND ANALYSIS

and annual periods beginning on or after January 1, 2003. AcG 14 requires a guarantor to disclose significant information about guarantees it has provided, without regard to whether it will have to make any payments under the guarantees. Please see notes 6 and 13 in the Fund and FPLP's notes to financial statements titled, "Guarantees", for more information on guarantees.

CICA 3475 Disposal of Long-Lived Assets and Discontinued Operations:
The CICA has issued this handbook section which was effective for disposal activities started on or after May 1, 2003. CICA 3475 provides guidance on recognizing, measuring, presenting and disclosing long-lived assets to be disposed of. It also provides criteria for classifying assets as held for sale. It requires an asset classified as held for sale to be measured at fair value less disposal costs. It also provides criteria for classifying a disposal as a discontinued operation and specifies the presentation and disclosures for discontinued operations and other disposals of long-lived assets. The adoption of the new standard is not expected to impact the financial statements of the Fund or FPLP.

PROPOSED ACCOUNTING POLICIES
AcG 13 Hedging relationships:
This guideline will be effective for fiscal years beginning on or after July 1, 2003. AcG 13 addresses the identification, designation, documentation and effectiveness of hedging transactions for the purposes of applying hedge accounting. It also establishes conditions for applying or discontinuing hedge accounting. Under the new guideline, FPLP will be required to document its hedging transactions and explicitly demonstrate that the hedges are sufficiently effective in order to continue accrual accounting for positions hedged with derivatives. As at December 31, 2003, the only derivatives utilized by FPLP are interest rate swaps and an interest rate cap as described in notes 5 and 12 of the financial statements.

CICA 3110 Asset Retirement Obligations:
This new handbook section will be effective for fiscal years beginning on or after January 1, 2004. CICA 3110 focuses on the recognition and measurement of liabilities related to legal obligations associated with the retirement of property, plant and equipment. Under this standard, these obligations are initially measured at fair value and subsequently adjusted for the accretion of discount and any changes in the underlying cash flows. The asset retirement cost is to be capitalized to the related asset and amortized into earnings over time.

CICA 3063 Impairment of Long-lived Assets:
This new handbook section will be effective for fiscal years beginning on or after April 1, 2003. CICA 3063 requires the recognition of an impairment loss for a long-lived asset to be held and used when events or changes in circumstances cause its carrying value to exceed the total undiscounted cash flows expected from its use and eventual disposition. The impairment loss is calculated by deducting the fair value of the asset from its carrying value.

The adoption of these three proposed policies is not expected to impact the financial statements of the Fund or FPLP.

BUSINESS RISKS AND UNCERTAINTIES

REVENUE
Advertising revenue, which accounts for greater than 70% of total revenue, is historically dependent upon general economic conditions and the specific spending plans of high volume advertisers. A significant downturn in the national or regional economy would likely decrease advertising revenue earned by our newspapers. Similarly, a change in promotional strategy by significant users of newspaper advertising, such as the automotive industry, financial services industry and national retailers, could reduce revenue.

EMPLOYEE RELATIONS
The majority of FPLP's employees are unionized and their employment is governed by the terms of collective agreements. A strike, like the one that occurred in October 2002 at the Winnipeg Free Press, could restrict or eliminate the ability

"Our products are delivered to the most sought-after audiences"

MANAGEMENT'S DISCUSSION AND ANALYSIS

of FPLP to earn revenue from its publishing business during a strike. Contracts are in place with unionized employees at the Winnipeg Free Press which run to October 2005. Collective agreements covering unionized employees at the Brandon Sun expire December 31, 2005.

EXPENSES

Newspaper publishing is both capital and labour intensive, and as a result newspapers have relatively high fixed cost structures. During periods of declining revenue, significant portions of costs may remain fixed, resulting in decreased earnings. Newsprint is a significant cost for FPLP, accounting for $15.1 million of expenses in 2003. Newsprint costs vary widely from time to time. If newsprint costs rise rapidly, there is no assurance that advertising and circulation revenues can be increased to offset the increased newsprint expense. United States dollar denominated expenses are less than $1.0 million per annum and therefore, FPLP has a minimal direct exposure to foreign currency fluctuations. FPLP does have a theoretical exposure to U.S. dollar fluctuations with respect to newsprint purchasing. Although FPLP buys newsprint at Canadian dollar prices, to some degree these prices reflect the U.S. dollar price of newsprint and the prevailing US/Canadian exchange rate. However, there is not a direct correlation, since U.S. consumption is approximately 10 times Canadian consumption, and Canadian producers supply approximately 60% of U.S. consumption. Because costs of Canadian producers are predominantly Canadian based, the U.S. dollar market price of newsprint is heavily influenced by the U.S./Canadian exchange rate. FPLP pays Canadian market prices for newsprint, which fluctuate with market conditions.

OUTLOOK

REVENUE

Although advertising volumes are very difficult to forecast, many industry forecasters are expecting increased print advertising spending in Canada in 2004, after modest growth in 2003. However, advertising spending is highly dependent on consumer spending which can change quickly due to a variety of factors. Depending on general economic performance and consumer spending levels, FPLP could see increased advertising revenues of 2% - 4% in 2004. Overall circulation revenue growth is expected to be in the 1% - 2% range primarily resulting from subscription rate increases of approximately 2% which took effect in January 2004. Commercial printing revenues are expected to improve in 2004 partly resulting from a new printing agreement to produce the National Post for the Manitoba and northwestern Ontario markets, which is expected to start in March, 2004. Our longstanding contract to print the Globe and Mail in Brandon remains in place for papers being distributed in Manitoba, Saskatchewan and northwestern Ontario.

OPERATING EXPENSES EXCLUDING AMORTIZATION

As a result of the contract settlements at the Winnipeg Free Press, average wage rates will increase by 2.1% in 2004 compared to 2003. FPLP estimates overall compensation costs will increase between 2% - 3% for 2004. Compensation related expenses accounted for 49.1% of 2003 expenses before interest and amortization, while newsprint and delivery costs accounted for 20.0% and 11.6% respectively. While newsprint price increases have been announced to take effect in the first quarter of 2004 for U.S. based customers, we will benefit from a price decrease of approximately 5% which was received effective January 1, 2004 primarily due to foreign-exchange fluctuations. It is expected that these new price levels will be in place throughout the entire first quarter. Newsprint prices are expected to increase slowly in the second half of 2004.

OTHER EXPENSES

Amortization of property, plant and equipment is expected to increase in 2004 as a result of both our normal annual maintenance capital additions, together with the strategic investment being made at the Brandon Sun to implement CTP printing technology. The estimated useful life of the new CTP equipment is 7 years. Interest expense on both the term loan and the subordinated notes is not expected to change significantly from the 2003 levels.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOOTNOTES:

(1) DISTRIBUTABLE CASH ATTRIBUTABLE TO THE FUND

The Fund believes that in addition to the disclosure of cash flow from operations, distributable cash attributable to the Fund is an important supplemental measure of cash flow. This measure is a useful supplemental measurement as it provides investors with an indication of the amount of cash available for distribution to unitholders and because such calculations are required by the terms of the partnership agreement governing FPLP and the terms of the deed of trust governing the Fund. Distributable cash attributable to the Fund is not a defined term under Canadian GAAP and it should not be construed as an alternative to using net earnings or the statement of cash flows as measures of profitability and cash flow. Readers should be cautioned that the method of calculating distributable cash may not be comparable to similar measures presented by other issuers. Management has determined distributable cash attributable to the Fund as follows:

	Year ended December 31, 2003	Period from May 28, 2002 to December 31, 2002
	$ Thousands except per unit amounts	
EBITDA (2)	$24,250	$13,086
Interest and sundry income	113	40
Interest expense on term loan	(3,114)	(1,848)
Net maintenance capital expenditures	(359)	(586)
Increase in reserve for future maintenance capital	(641)	-
Distributable cash of FPLP	$20,249	$10,692
Distributable cash attributable to the Fund:		
49% of FPLP distributable cash	$9,922	$5,239
Administration expenses	(293)	(126)
Loan from related party	(100)	100
Other interest	2	-
Distributable cash attributable to the Fund	$9,531	$5,213
Distributable cash attributable to the Fund – per Unit	$1.381	$0.755

"We've made a major investment in printing technology in Brandon"

MANAGEMENT'S DISCUSSION AND ANALYSIS

A reconciliation of FPLP's distributable cash to cash flows from operating activities, as reported in FPLP's Statements of Cash Flows, is as follows: (a reconciliation for the period from May 28, 2002 to December 31, 2002 has not been completed because FPLP has not reported financial statements for such period).

	2003
	$ Thousands
Cash flow from operating activities of FPLP	$14,764
Add / (subtract)	
Interest on subordinated notes *	7,815
Net change in non-cash working capital items **	(1,330)
Net maintenance capital expenditures	(359)
Increase in reserve for future maintenance capital ***	(641)
Distributable cash of FPLP	$20,249

* Distributable cash of FPLP is determined before deduction of interest on the subordinated notes since these amounts are paid to the Fund as holder of the subordinated notes.

** While changes in non-cash working capital is a component in determining cash flow from operations in the statement of cash flows, changes in non-cash working capital are not normally included in the calculation of distributable cash, as these changes can often be financed with an available operating line of credit, or represent only a temporary source of cash.

*** Increases in the reserve for future maintenance capital is shown as a deduction in determining distributable cash. Decreases in the reserve for maintenance capital would be shown as an increase in the determination of distributable cash. Such reserve is a non-GAAP measure established and utilized at the discretion of the board of directors of FPLP, and has no impact on the GAAP financial statements.

(2) EBITDA

EBITDA is not a recognized measure under Canadian GAAP. FPLP believes that in addition to net earnings, EBITDA is a useful supplemental measure as it provides investors with an indication of cash available for distribution prior to debt service and capital expenditures. Investors should be cautioned that EBITDA should not be construed as an alternative to net earnings determined in accordance with GAAP as an indicator of FPLP's performance. FPLP's method of calculating EBITDA may differ from other issuers and, accordingly, EBITDA may not be comparable to measures used by other issuers. FPLP determines EBITDA as follows:

	2003	**2002**
	$ Thousands	
Operating earnings	$19,535	$17,349
Add:		
Amortization of property, plant and equipment	4,353	4,266
Amortization of intangible assets	362	362
EBITDA	$24,250	$21,977

MANAGEMENT'S DISCUSSION AND ANALYSIS

(3) RESULTS EXCLUDING OCTOBER

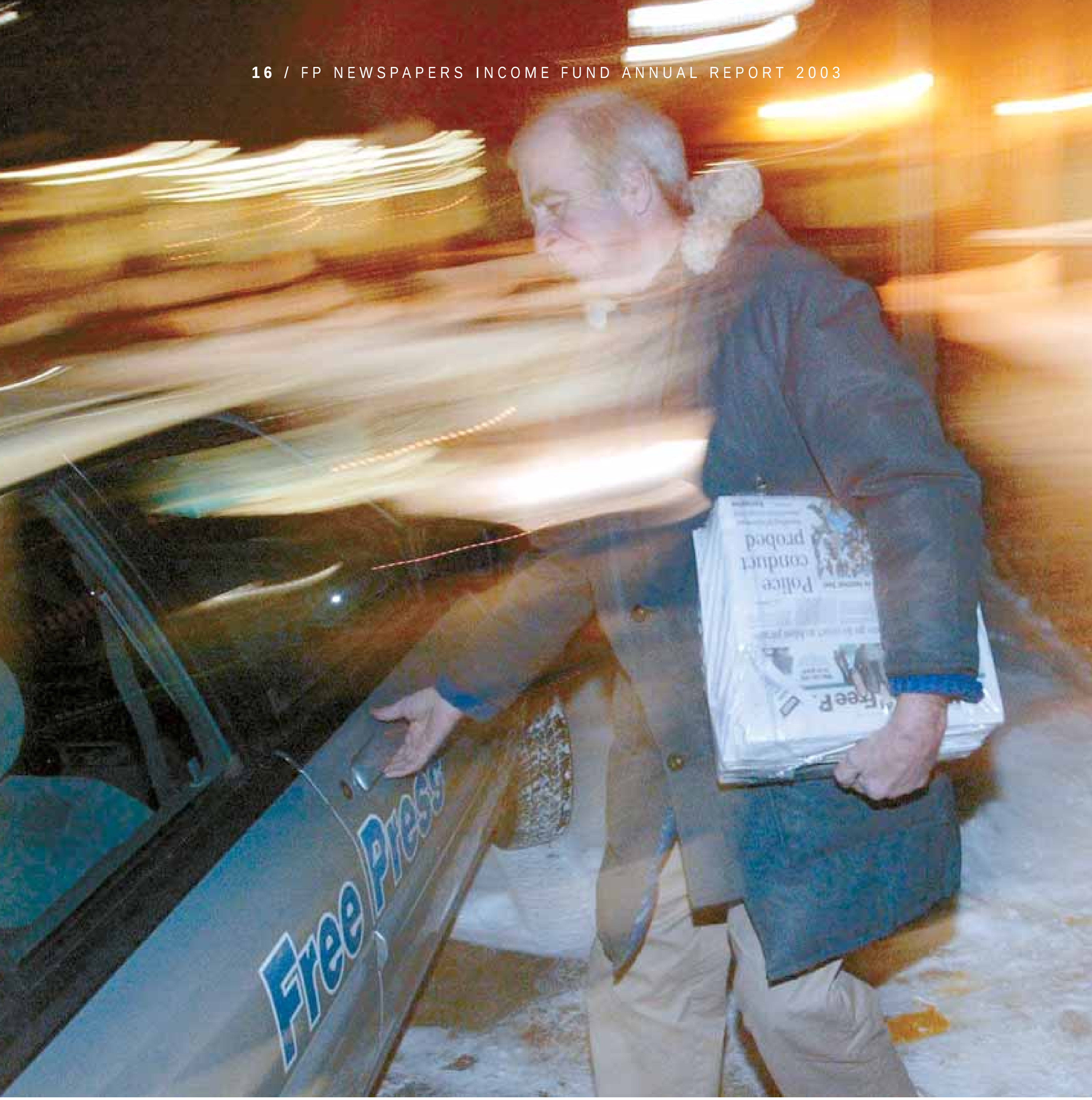
The disclosures of revenue, operating expenses excluding amortization and EBITDA(2) for the periods excluding October are non-GAAP financial measures. A reconciliation of these amounts to the GAAP financial measures is as follows:

	2003	2002
	$ Thousands	
Revenue excluding October:		
Revenue	$99,806	$94,640
October revenue	(8,707)	(5,950)
Revenue excluding October	$91,099	$88,690
Operating expenses excluding October and excluding amortization:		
Operating expenses	$80,271	$77,291
Amortization expenses	(4,715)	(4,628)
Operating expenses excluding amortization	75,556	72,663
October operating expenses excluding amortization	(6,487)	(5,505)
Operating expenses excluding October and excluding amortization	$69,069	$67,158
EBITDA(2) excluding October:		
EBITDA	$24,250	$21,977
October EBITDA	(2,220)	(445)
EBITDA excluding October	$22,030	$21,532

(4) MANITOBA NEWSPAPER OPERATIONS

Prior to November 29, 2001, the Winnipeg Free Press and the Brandon Sun (the "Manitoba Newspaper Operations" or "MNO") were operated as a division of The Thomson Corporation. Because the cost basis of the assets and the capital structure of the MNO was materially different under the prior owner, no supplementary information is provided regarding net earnings, total assets and total long-term liabilities. Reference should also be made to the audited financial statements of the MNO included in the Final Prospectus of the Fund dated May 16, 2002 which is available on our website at www.fpnewspapers.com.

Further information including FP Newspaper Income Fund's annual information return is available at www.sedar.com



FPLP FINANCIAL STATEMENTS

FP Canadian Newspapers Limited Partnership Financial Statements

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

THE accompanying consolidated financial statements of FP Newspapers Income Fund (the "Fund"), the financial statements of FP Canadian Newspapers Limited Partnership ("FPLP"), and all the information in this annual report are the responsibility of the management of FPCN General Partner Inc., the Managing General Partner of FPLP and the Administrator of the Fund. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and where appropriate include management's best estimates and judgments. Management has reviewed the financial information presented throughout this report and has ensured it is consistent with the financial statements.

Management maintains a system of internal control designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use, and that financial information is timely and reliable.

The Trustees of the Fund and the Directors of FPCN General Partner Inc. are responsible for ensuring that management fulfills its responsibilities for financial reporting and are ultimately responsible for reviewing and approving the financial statements. The Trustees and the Directors carry out this responsibility principally through the Audit Committee.

The Board of Directors of FPCN General Partner Inc. appoints the Audit Committee, and the majority of its members are independent directors. The Audit Committee meets periodically with management and the external auditors to review internal controls, audit results and accounting principles. Acting on the recommendation of the Audit Committee, the financial statements are forwarded to the Trustees and the Directors for their approval.

PricewaterhouseCoopers LLP, an independent firm of Chartered Accountants, was appointed by the unitholders at the annual meeting to complete the audits of the financial statements and to provide independent professional opinions.
PricewaterhouseCoopers LLP has full and free access to the Audit Committee.

Ronald N. Stern

RONALD N. STERN
Chairman

DANIEL KOSHOWSKI
Chief Financial Officer

WINNIPEG, CANADA / MARCH 19, 2004

AUDITORS' REPORT

TO THE PARTNERS OF FP CANADIAN NEWSPAPERS LIMITED PARTNERSHIP

We have audited the balance sheets of FP Canadian Newspapers Limited Partnership as at December 31, 2003 and 2002 and the statements of earnings and cumulative earnings and unitholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Partnership's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Partnership as at December 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants

FEBRUARY 13, 2004

FPLP BALANCE SHEETS

As at December 31, 2003 and 2002
(in thousands of dollars)

	2003 $	2002 $
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	5,434	2,314
Accounts receivable	11,088	11,152
Inventories	988	1,086
Prepaid expenses and deposits	1,395	1,298
	18,905	15,850
PROPERTY, PLANT AND EQUIPMENT (note 3)	65,194	69,188
DEFERRED FINANCING COSTS	4,760	6,142
INTANGIBLES (note 4)	9,331	9,693
GOODWILL	64,805	64,805
	162,995	165,678
LIABILITIES AND UNITHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	9,148	8,020
Prepaid subscriptions and deferred revenue	2,798	2,661
	11,946	10,681
LONG-TERM LIABILITIES (note 5)		
Term loan	59,600	59,600
Subordinated notes	66,954	67,954
	126,554	127,554
	138,500	138,235
UNITHOLDERS' EQUITY		
Partnership units (note 10)	32,793	31,793
Cumulative earnings	17,417	10,080
Cumulative distributions	(25,715)	(14,430)
	24,495	27,443
	162,995	165,678

Approved by the Board of Directors of the managing general partner

Ronald N. Stern, Director

Harvey Secter, Director

FPLP STATEMENTS OF EARNINGS AND CUMULATIVE EARNINGS

For the years ended December 31, 2003 and 2002
(in thousands of dollars)

	2003 $	2002 $
Revenue	99,806	94,640
Operating expenses, excluding amortization	(75,556)	(72,663)
	24,250	21,977
Amortization of property, plant and equipment	(4,353)	(4,266)
Amortization of intangible assets	(362)	(362)
Operating earnings	19,535	17,349
Interest on term loan	(3,114)	(3,942)
Interest on subordinated notes	(7,815)	(4,706)
Amortization of deferred financing costs	(1,382)	(1,084)
Interest income	98	87
Sundry income	15	12
Net earnings for the year	7,337	7,716
Cumulative earnings - beginning of year	10,080	2,364
Cumulative earnings - end of year	17,417	10,080

FPLP STATEMENTS OF UNITHOLDERS' EQUITY

For the years ended December 31, 2003 and 2002
(in thousands of dollars)

	General partner units $	Limited partner Class A units $	Limited partner Class B units $	Limited partner Class C units $	Total $
Unitholders' Equity – January 1, 2002	-	156,831	116	36	156,983
Return of capital	(24,285)	(100,000)	-	-	(124,285)
Net earnings allocated prior to redesignation	-	2,646	-	-	2,646
Redesignation	59,477	(59,477)	-	-	-
Contributions	10	1,072	-	-	1,082
Distributions	(13,340)	(561)	-	-	(13,901)
Redemption	-	-	(116)	(36)	(152)
Net earnings allocated after redesignation	4,758	312	-	-	5,070
Unitholders' Equity - December 31, 2002	26,620	823	-	-	27,443
Net earnings	6,552	785	-	-	7,337
Distributions	(10,078)	(1,207)	-	-	(11,285)
Contributions	-	1,000	-	-	1,000
Unitholders' Equity – December 31, 2003	23,094	1,401	-	-	24,495

FPLP STATEMENTS OF CASH FLOWS

For the years ended December 31, 2003 and 2002
(in thousands of dolllars)

	2003 $	2002 $
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net earnings for the year	7,337	7,716
Item not affecting cash		
Amortization	6,097	5,712
	13,434	13,428
Net change in non-cash working capital items (note 9)	1,330	(1,049)
	14,764	12,379
INVESTING ACTIVITIES		
Other investment	-	162
Purchases of property, plant and equipment	(401)	(939)
Proceeds from sale of property, plant and equipment	42	7
	(359)	(770)
FINANCING ACTIVITIES		
Proceeds from term loan (note 10(a))	-	100,000
Repayment of term loan (note 10(c))	-	(40,400)
Contributions by partners	-	82
Distributions to partners	(11,285)	(13,901)
Capital returned to partners (note 10(a) and (c))	-	(124,285)
Redemption of partnership units	-	(152)
Deferred financing costs	-	(4,385)
Issuance of subordinated notes (note 10(c))	-	68,954
	(11,285)	(14,087)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,120	(2,478)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	2,314	4,792
CASH AND CASH EQUIVALENTS - END OF YEAR	5,434	2,314

FPLP NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003 AND 2002
(tabular amounts in thousands of dollars)

1 BASIS OF PRESENTATION

FP Canadian Newspapers Limited Partnership ("FPLP") is a limited partnership formed on August 9, 1999 in accordance with the laws of British Columbia. Prior to November 26, 2001, the name of FPLP was Canstar Productions 1999-3 Limited Partnership.

Effective November 29, 2001, FPLP acquired the business and assets of the Winnipeg Free Press and the Brandon Sun and related businesses in exchange for cash and the assumption of certain liabilities. These financial statements include only the assets, liabilities, revenues and expenses of FPLP and do not include the other assets, liabilities, revenues and expenses, including income taxes, of the partners.

The managing general partner of FPLP is FPCN General Partner Inc.

2 DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) DESCRIPTION OF BUSINESS

FPLP produces and distributes newspapers and related publications, including the Winnipeg Free Press and the Brandon Sun.

b) REVENUE RECOGNITION

Advertising revenue, net of agency commissions, 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.

c) INVENTORIES

Inventories, primarily newsprint and printing supplies, are stated at the lower of cost and net realizable value. Cost is determined on a first in first out basis.

d) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are initially recorded at cost. Amortization 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
Machinery and equipment	7 - 25 years
Computer, furniture and fixtures, and vehicles	3 - 10 years

Expenditures for major renewals and betterments are capitalized, while minor replacements, repairs and maintenance which do not extend the useful lives are charged to operations as incurred.

FPLP NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003 AND 2002
(tabular amounts in thousands of dollars)

e) 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 as follows:

Subscriber base	15 years
News archives	10 years

Mastheads are considered to have an indefinite life and are therefore recorded at cost and not amortized. Mastheads are tested for impairment annually by comparing the fair value of the intangible asset to its carrying value. An impairment is recognized in an amount equal to the difference between the carrying value and the fair value.

f) IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND FINITE LIFE INTANGIBLES
Impairment of property, plant and equipment and finite life intangibles is recognized when an event or change in circumstances causes the asset's carrying value to exceed the total undiscounted cash flows expected from its use and eventual disposition. The impairment loss is calculated by deducting the fair value of the asset from its carrying value.

g) GOODWILL
Goodwill represents amounts paid to acquire businesses in excess of the fair value of net identifiable assets acquired. Goodwill is not subject to amortization. Goodwill is tested for impairment at least annually by comparing the fair value of a particular reporting unit to it's carrying value. The carrying value of goodwill is written down if the fair value of the reporting unit's goodwill exceeds its carrying value.

h) USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS
The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ significantly from those estimates.

FPLP has estimated the useful life of 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 and life of intangible assets and reduction in the fair value of goodwill.

Expenses, assets and liabilities related to the defined benefit pension plan are determined actuarially based on estimates including discount rates for obligations, expected long-term rates of return on pension assets and the rate of compensation increases. Actual results may vary from these estimates.

FPLP NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003 AND 2002
(tabular amounts in thousands of dollars)

i) PENSION PLANS
Effective November 29, 2001, FPLP established defined benefit and defined contribution pension plans. For the defined benefit plan, the pension expense is determined using the projected benefit method pro rated based on service and management's estimate of expected plan investment performance, compensation increases, and retirement ages of employees. For the purpose of calculating the expected return on plan assets, those assets are valued at fair value. The excess of the net actuarial gain or loss over 10% of the greater of the projected obligation and the fair value of the plan assets is amortized over the average remaining service period of active employees. The average remaining service period of employees covered by the defined benefit pension plan is 12.7 years. For the defined contribution plans, the pension expense is FPLP's contribution to the plans.

j) LONG-TERM INCENTIVE PLAN
Under the terms of the long-term incentive plan ("LTIP") 10% to 20% of distributable cash earned by FPLP in excess of an established threshold is contributed to a pool of funds set aside to purchase units of FP Newspapers Income Fund (in the market) for LTIP participants subject to FPLP distributions allowing FP Newspapers Income Fund to distribute $1.35 per unit annually. The cost is accrued as an expense for the period if distributable cash earned exceeds the thresholds established by the LTIP.

k) DEFERRED FINANCING COSTS
Deferred financing costs represent fees and costs in connection with obtaining the credit facility and issuing subordinated notes. These deferred costs are amortized on a straight-line basis over the 3 and 10 year terms of the related debt.

l) CASH AND CASH EQUIVALENTS
For the purposes of the statements of cash flows, cash includes cash and short-term investments with maturities at the date of purchase of up to three months.

m) FINANCIAL INSTRUMENTS
Derivative financial instruments, namely interest rate swaps and interest rate caps, are utilized to reduce interest rate risk on FPLP's term loan. FPLP does not enter into financial instruments for trading or speculative purposes.

Each derivative financial instrument is designated as a hedge of a specifically identified debt instrument. FPLP believes the derivative financial instruments are effective as hedges as the term to maturity, the principal amount and the interest rate basis in the derivative instruments all match the terms of the debt instrument being hedged.

Interest rate swap agreements involve the periodic exchange of payments without the exchange of the notional principal amount upon which the payments are based. Interest rate cap agreements involve the entitlement to receive the differential between the capped interest rate and the market rate, when the market rate is greater than the capped rate, on a notional principal amount. The derivative financial instrument benefit or cost is recorded as an adjustment of interest expense on the hedged debt instrument. The related amounts payable to or receivable from counter parties are included as an adjustment to accrued interest.

FPLP NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003 AND 2002
(tabular amounts in thousands of dollars)

The cost of the interest rate cap agreement is amortized over the life of the instrument. In the event of early extinguishment of the debt obligation, any realized or unrealized gain or loss from the derivative instrument would be recognized in the statement of earnings at the time of extinguishment. In the event of an early termination of interest rate swap agreements, gains and losses are deferred under other current, or non-current, assets or liabilities on the balance sheets and amortized as an adjustment to interest expense related to the obligation over the remaining term of the original contract life of the terminated swap agreement.

n) INCOME TAXES

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

3 PROPERTY, PLANT AND EQUIPMENT

	2003		2002	
	Cost $	**Accumulated amortization $**	**Cost $**	**Accumulated amortization $**
Land	1,000	-	1,000	-
Buildings	7,800	406	7,800	211
Machinery and equipment	60,065	6,094	60,041	3,087
Furniture and fixtures	1,602	229	1,558	188
Computer hardware and software	3,385	2,019	3,075	1,016
Vehicles	294	204	338	122
	74,146	8,952	73,812	4,624
NET BOOK VALUE		65,194		69,188

4 INTANGIBLES

	2003		2002	
	Cost $	**Accumulated amortization $**	**Cost $**	**Accumulated amortization $**
INTANGIBLES				
Finite life				
Subscriber base	4,600	640	4,600	332
News archives	550	114	550	60
	5,150	754	5,150	392
Indefinite life				
Mastheads	4,935	-	4,935	-
	10,085	754	10,085	392
NET INTANGIBLES		9,331		9,693

FPLP NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003 AND 2002
(tabular amounts in thousands of dollars)

5 LONG-TERM LIABILITIES

FPLP is a party to a credit facility consisting of a revolving term loan and an operating facility. The $59.6 million term loan matures in May 2005. The operating facility provides for an additional $10 million, and matures in May 2004. Amounts borrowed under the credit facility will primarily be in the form of bankers' acceptances at varying interest rates and would normally mature over periods of 30 to 90 days. Substantially all of the assets of FPLP have been pledged as collateral for the credit facility. FPLP is subject to covenants under the terms of the credit facility, including thresholds for leverage and interest coverage, and is subject to certain restrictions under negative covenants. The average effective interest rates paid throughout the year ranged from 4.2% to 5.2% (2002 - 4.3% to 6.0%). At December 31, 2003, the effective interest rates on bankers' acceptances outstanding ranged from 4.2% to 4.4% (2002 - 4.4% to 4.5%). The interest rate on $20 million of the outstanding term loan was fixed through two interest rate swaps. The swaps are each for $10 million with fixed interest rates of 4.75% maturing in June 2005 and 3.99% maturing in April 2005. The interest rate on an additional $10 million of the outstanding term loan was capped at 5.25% CDOR through an interest rate cap maturing in June 2005. As of December 31, 2003, FPLP had not drawn upon amounts under the operating facility.

The subordinated notes are unsecured and pay interest at 11.5% per annum. The subordinated notes mature on the earlier of May 2012 and the date on which the holder calls or is required to pay amounts equal to and for the sole purpose of paying the cash contribution due in respect of the Class A limited partnership units (note 10).

6 COMMITMENTS AND CONTINGENCIES

a) OPERATING LEASES

FPLP leases machinery and equipment and vehicles under various third-party non-cancellable operating lease agreements with terms of up to five years. The following is a schedule of minimum annual lease payments under the operating leases with initial or remaining non-cancellable terms in excess of one year at December 31, 2003:

	$
2004	111
2005	77
2006	56
2007	40
2008	5
Total minimum lease payments	289

b) LEGAL MATTERS

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

FPLP NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003 AND 2002
(tabular amounts in thousands of dollars)

7 PENSION PLANS

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

	2003 $	2002 $
Plan assets		
Fair value - beginning of year	1,530	133
Investment gain (loss)	334	(30)
Employer contributions	727	697
Employee contributions	801	754
Benefits, refund of contributions and administrative expenses	(92)	(24)
Fair value - end of year	3,300	1,530
Plan obligations		
Accrued benefit obligation - beginning of year	1,742	132
Accrued interest on benefits	225	107
Current service cost	1,688	1,521
Benefits, refund of contributions	(75)	(18)
Plan amendment	75	-
Experience loss on accrued benefits	137	-
Accrued benefit obligation - end of year	3,792	1,742

FPLP's accrued pension asset (liability) is determined as follows:

	2003	2002
Plan deficit	(492)	(212)
Unamortized net actuarial loss	128	92
Accrued plan liability	(364)	(120)

FPLP NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003 AND 2002

(tabular amounts in thousands of dollars)

FPLP's pension plan expense is determined as follows:

	2003 $	2002 $
Current service cost	1,688	1,521
Employee contributions	(801)	(754)
Accrued interest on benefits	225	107
Expected return on plan assets	(147)	(55)
Amortization of 2003 plan amendment	6	-
Pension expense - defined benefit plan	971	819
Employer contributions to defined contribution plans	176	163
Total pension expense	1,147	982

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

	2003 %	2002 %
Discount rate	6.25	6.50
Expected long-term rate of return on pension plan assets	6.50	6.50
Rate of compensation increase	3.75	4.00

8 LONG-TERM INCENTIVE PLAN

The directors, officers and key senior management of FPLP and its affiliates (including the trustees of FP Newspapers Income Fund) 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 units of FP Newspapers Income Fund, enhance FPLP's ability to attract, retain and motivate key personnel, and reward directors, officers and key senior 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 (as defined in the LTIP plan documents) exceeds certain threshold amounts subject to FPLP distributions allowing FP Newspapers Income Fund to distribute $1.35 per unit annually. A trustee will then purchase units of FP Newspapers Income Fund in the market with such pool of funds and will hold these units until such time as ownership vests to each participant. The LTIP will be administered by the Compensation and Corporate Governance Committee. The board of directors of FPLP or the Compensation and Corporate Governance Committee will have 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.

FPLP NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003 AND 2002
(tabular amounts in thousands of dollars)

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

Amount of excess distributable cash of FPLP over $19,424,000 per annum	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%

The portion of excess distributable cash, if any, will be used to purchase units of FP Newspapers Income Fund in the market that will be held subject to the vesting and other terms of the LTIP. The terms of the LTIP are subject to adjustment by the Compensation and Corporate Governance Committee from time to time. However, in no event will the maximum proportion of excess distributable cash that will be available for incentive payments exceed 20%.

For the year ended December 31, 2003 and for the period from May 28, 2002 to December 31, 2002, the financial performance of the Partnership was below the minimum threshold for awards under the LTIP and accordingly, no awards were made.

9 NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

	2003 $	2002 $
Accounts receivable	64	345
Inventories	98	(260)
Prepaid expenses and deposits	(97)	(584)
Accounts payable and accrued liabilities	1,128	(353)
Prepaid subscriptions and deferred revenue	137	(197)
	1,330	(1,049)

10 UNITHOLDERS' EQUITY

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

At December 31, 2003 and 2002 , FPLP has issued 7,184,331 general partner units and 6,902,592 Class A limited partnership units held by the following:

	General partner units	Limited partner Class A units
FPCN General Partner Inc. - managing general partner	10	-
Canstar Publications Ltd. and R.I.S. Media Ltd. - general partners	7,184,321	-
FP Newspapers Income Fund	-	6,902,592
	7,184,331	6,902,592

FPLP NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003 AND 2002

(tabular amounts in thousands of dollars)

FPLP's net earnings is 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.

The Class A limited partnership units together with the subordinated notes are entitled to receive cash distributions equal to 49% of FPLP's distributable cash flow as defined, but determined before deduction of interest on the subordinated notes.

The holders of the Class A limited partnership units are required to make a contribution of $10 per unit for an aggregate contribution of $69,025,920. Contributions were paid as to $72,418 on closing and $1,000,000 on December 31, 2003 and 2002. In addition, the following future contributions in respect of Class A limited partnership units are required: $2,000,000 on or before each of December 31, 2004 and 2005, $3,000,000 on or before December 31, 2006, $1,000,000 on or before December 31, 2007, and the balance of $58,953,502 on May 28, 2012.

During the year ended December 31, 2002, the following significant capital transactions occurred:

a) On January 4, 2002, FPLP borrowed $100 million from a syndicate of banks under a Reducing Term Facility. Proceeds of the loan were used to return a portion of limited partners' capital contributions.

b) On March 26, 2002, FPLP was reorganized as follows:

- The general partner of FPLP (which had changed its name to FPCN General Partner Inc.) became the Managing General Partner of FPLP and subscribed for 10 general partnership units for a total cash subscription price of $10.
- An unlimited number of new Class A limited partnership units (the "Class A units") was authorized and 10 Class A units were issued to 4029526 Canada Inc., as limited partner in consideration for a cash subscription of $100.
- All of the existing Class C partnership units held by the general partner and the existing Class B limited partnership units were redeemed for cash equal to capital in the aggregate amount of $158,000 contributed for those units.
- Canstar Publications Ltd. and R.I.S. Media Ltd. subscribed for a total of 10,000 general partnership units for a total cash subscription price of $10,000 and were admitted as general partners of FPLP.
- All of the remaining existing limited partnership units (formerly designated as Class A limited partnership units) and capital balances allocable to such units became general partnership units and capital and were transferred upon dissolution of the holder of such units to Canstar Publications Ltd. and R.I.S. Media Ltd.
- A special distribution of $9,157,854, amounting to the net earnings before amortization of FPLP for the period ending December 31, 2001 and the period ending immediately prior to the issuance of new Class A limited partnership units to FPCN Holdings Trust (a trust of which the sole beneficiary is FP Newspapers Income Fund (the "Fund")), was paid to Canstar Publications Ltd. and R.I.S. Media Ltd., as general partners, immediately before the closing of the transactions described below.

FPLP NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003 AND 2002
(tabular amounts in thousands of dollars)

c) On May 28 and June 27, 2002, FPLP issued 6,902,592 Class A limited partnership units and $68,953,502 principal amount of subordinated notes to a wholly-owned trust owned by the Fund for gross proceeds of $69,025,920. The proceeds were used as follows:

	$
To pay financing costs incurred related to the issuance of subordinated notes	4,341
To reduce the term facility referred to in (a) above	40,400
To return a portion of partners' capital contributions	24,285
	69,026

d) Immediately after the issuance of the Class A units and subordinated notes described above, the 10 Class A units held by 4029526 Canada Inc., as limited partner, were redeemed for cash of $100.

11 RELATED PARTY TRANSACTIONS

FPLP has transactions with related parties in the normal course of operations. Related parties are entities directly or indirectly controlled or significantly influenced by FPLP's controlling partners. All such transactions are conducted at the exchange amount agreed to by the parties.

During the year ended December 31, 2003, total purchases in the form of newsprint from related parties were $10,789,323 (2002 - $7,675,619). FPLP also reimbursed related parties for administration costs amounting to $26,157 (2002 - $31,000). As at December 31, 2003, accounts payable to related parties totalled $614,205 (2002 - $1,019,323). Total advertising sales to related parties were $29,786 (2002 - $11,697) and at December 31, 2003 accounts receivable from related parties totalled $ nil (2002 - $4,103).

12 FINANCIAL INSTRUMENTS

a) Fair values

The fair value of current assets and liabilities including cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their fair value due to the short term nature of these financial instruments. The fair value of the term loan approximates its carrying value as it is subject to variable interest rates. The fair value of subordinated notes is not readily determinable due to their unique nature. The fair value of the interest rate swaps as at December 31, 2003 is ($477,000) (2002 - ($345,891)) and is based on the amount at which they could be settled. The fair value of the interest rate cap as at December 31, 2003 is $1,000 (2002 - $28,925) and the unamortized book value was $66,197 (2002 - $112,924).

FPLP NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003 AND 2002
(tabular amounts in thousands of dollars)

b) Credit risk

FPLP, in the normal course of business, is exposed to credit risk from its customers. FPLP's financial assets that are exposed to credit risk consist primarily of accounts receivable. FPLP sells to a large number of customers, broadly dispersed across the geographic region in which it operates. FPLP performs ongoing credit evaluation of its customers to minimize credit risk and usually does not require collateral for accounts receivable.

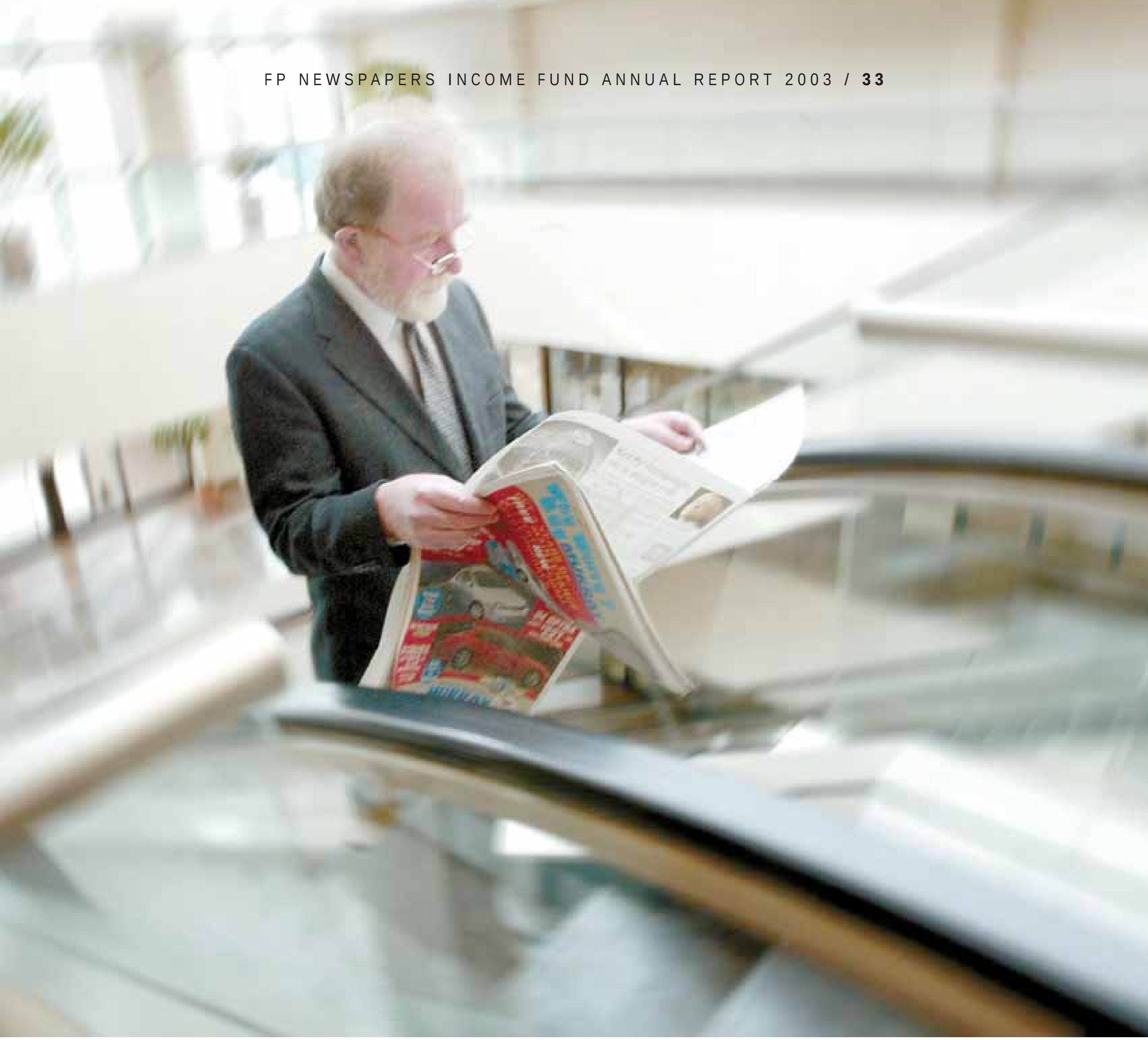
Credit risks associated with the derivative financial instruments are not considered significant as all counter parties are large chartered Canadian financial institutions.

c) Interest rate risk

FPLP is exposed to interest rate risk relating to its fixed and floating rate instruments. Fluctuation in interest rates will have an effect on the valuation and repayment of these instruments. Interest rate swap and interest rate cap contracts are used to mitigate this risk.

13. GUARANTEES

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 counter parties. The general partner has $15 million in directors’ and officers’ liability insurance coverage.



FUND FINANCIAL STATEMENTS

FP Newspapers Income Fund Consolidated Financial Statements

AUDITORS' REPORT

TO THE UNITHOLDERS OF FP NEWSPAPERS INCOME FUND

We have audited the consolidated balance sheets of FP Newspapers Income Fund as at December 31, 2003 and 2002 and the consolidated statements of earnings and cumulative earnings and cash flows for the year ended December 31, 2003 and for the period ended December 31, 2002. These consolidated financial statements are the responsibility of the Fund's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2003 and 2002 and the results of its operations and its cash flows for the year ended December 31, 2003 and for the period ended December 31, 2002 in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants

FEBRUARY 13, 2004

FUND CONSOLIDATED BALANCE SHEETS

AS AT DECEMBER 31, 2003 AND 2002
(in thousands of dollars)

	2003 $	2002 $
ASSETS		
CURRENT ASSETS		
Cash	330	60
Interest receivable from subordinated notes	654	664
Other receivable	-	1
Prepaid expenses	24	17
	1,008	742
INVESTMENT IN FP CANADIAN NEWSPAPERS LIMITED PARTNERSHIP (note 4)	65,948	67,546
	66,956	68,288
LIABILITIES AND UNITHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	40	88
Distribution payable (note 3)	725	690
	765	778
DUE TO RELATED PARTIES (note 5)	-	100
	765	878
UNITHOLDERS' EQUITY		
Trust units	69,026	69,026
Cumulative earnings	10,794	3,661
Cumulative distributions (note 3)	(13,629)	(5,277)
	66,191	67,410
	66,956	68,288

APPROVED BY THE BOARD OF TRUSTEES

Ronald N. Stern
Trustee

Harvey Secter
Trustee

FUND CONSOLIDATED STATEMENTS OF EARNINGS AND CUMULATIVE EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 2003 AND THE PERIOD FROM MAY 15, 2002, DATE OF FORMATION, TO DECEMBER 31, 2002

(in thousands of dollars except per unit amounts)

	2003 $	2002 $
INCOME FROM INVESTMENT IN FP CANADIAN NEWSPAPERS LIMITED PARTNERSHIP		
Interest from subordinated notes	7,815	4,706
Equity interest from Class A limited partnership units (note 4)	(391)	(919)
Other interest	2	-
	7,426	3,787
ADMINISTRATION EXPENSES	(293)	(126)
NET EARNINGS FOR THE PERIOD	7,133	3,661
CUMULATIVE EARNINGS - BEGINNING OF PERIOD	3,661	-
CUMULATIVE EARNINGS - END OF PERIOD	10,794	3,661
Number of trust units outstanding	6,902,592	6,902,592
Earnings per trust unit	1.03	0.53

FUND CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2003 AND THE PERIOD FROM MAY 15, 2002, DATE OF FORMATION, TO DECEMBER 31, 2002
(in thousands of dollars)

	2003 $	2002 $
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net earnings for the period	7,133	3,661
Item not affecting cash		
Equity interest from Class A units of FP Canadian Newspapers Limited Partnership (note 4)	391	919
	7,524	4,580
Net change in non-cash working capital items		
Interest receivable	10	(664)
Other receivable	1	(1)
Prepaid expenses	(7)	(17)
Accounts payable and accrued liabilities	(48)	88
Distributions received on Class A units of FP Canadian Newspapers Limited Partnership	1,207	561
	8,687	4,547
INVESTING ACTIVITIES		
Subscription for Class A units in FP Canadian Newspapers Limited Partnership	-	(72)
Subscription for subordinated notes in FP Canadian Newspapers Limited Partnership	-	(68,954)
	-	(69,026)
FINANCING ACTIVITIES		
Units issued	-	69,026
Distributions to unitholders	(8,317)	(4,587)
Loan from related parties	(100)	100
	(8,417)	64,539
INCREASE IN CASH	270	60
Cash - Beginning of period	60	-
Cash - End of period	330	60

FUND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2003 AND 2002
(tabular amounts in thousands of dollars)

1 DESCRIPTION OF THE FUND

FP Newspapers Income Fund (the "Fund") is a limited purpose trust formed under the laws of the Province of Ontario by a declaration of trust dated May 15, 2002. The Fund commenced operations on May 28, 2002 when it completed an Initial Public Offering selling 6,573,897 trust units at $10 per unit. On June 27, 2002, the Fund sold a further 328,695 trust units at $10 per unit. The total proceeds of $69,025,920 were used to purchase securities of FP Canadian Newspapers Limited Partnership ("FPLP") entitling it to 49% of the distributable cash, as defined in the partnership agreement, of FPLP.

2 ACCOUNTING POLICIES

These consolidated financial statements of the Fund have been prepared by management in accordance with accounting principles generally accepted in Canada and include the accounts of the Fund and its wholly-owned subsidiary, FPCN Holdings Trust.

Investment

The investment in subordinated notes of FPLP is recorded at cost. Interest income is recorded as revenue as it accrues. The investment in Class A limited partnership units of FPLP is accounted for using the equity method of accounting.

Distributions

Distributions from the Fund's investment in Class A limited partnership units are recorded when received. Distributions payable by the Fund to its unitholders are recorded when declared.

3 CUMULATIVE DISTRIBUTIONS

Cumulative distributions for the year ended December 31, 2003 and the period from May 28, 2002 to December 31, 2002 are as follows:

	2003 $	Period from May 28, 2002 to December 31, 2002 $
Balance beginning of period	5,277	-
Distributions declared	8,352	5,277
Balance end of year	13,629	5,277

The Fund declared a distribution payable for December 2003 of $0.105 per unit. A distribution totalling $724,772 is payable January 29, 2004 to unitholders of record on December 31, 2003 and is in respect of the month of December 2003.

FUND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2003 AND 2002
(tabular amounts in thousands of dollars)

4 INVESTMENT IN FP CANADIAN NEWSPAPERS LIMITED PARTNERSHIP

On May 28, 2002, FPCN Holdings Trust subscribed for 6,573,897 Class A limited partnership units of FPLP and $65,670,000 principal amount of subordinated notes of FPLP. On June 27, 2002, FPCN Holdings Trust subscribed for a further 328,695 Class A limited partnership units of FPLP and $3,283,500 principal amount of subordinated notes of FPLP. FPCN Holdings Trust holds all of the Class A limited partnership units of FPLP, which, together with the subordinated notes, entitles it to 49% of the distributable cash (as defined in the Partnership Agreement) of FPLP.

The investment in FPLP is summarized as follows:

	Subordinated notes $	Class A limited partnership units $	Total $
Initial subscriptions	68,954	72	69,026
Repayment of subordinated notes	(1,000)	-	(1,000)
Additional contribution	-	1,000	1,000
Equity interest	-	(919)	(919)
Distributions received	-	(561)	(561)
Balance December 31, 2002	67,954	(408)	67,546
Repayment of subordinated notes	(1,000)	-	(1,000)
Additional contribution	-	1,000	1,000
Equity interest	-	(391)	(391)
Distributions received	-	(1,207)	(1,207)
Balance - December 31, 2003	66,954	(1,006)	65,948

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

	2003 $	Period from May 28, 2002 to December 31, 2002 $
Net earnings of FPLP	7,337	3,022
Plus: Interest on subordinated notes	7,815	4,706
Net earnings before interest on subordinated notes	15,152	7,728
49% interest attributable to the Fund	7,424	3,787
Less: Interest from subordinated notes	(7,815)	(4,706)
Equity interest from Class A limited partnership units	(391)	(919)

FUND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2003 AND 2002
(tabular amounts in thousands of dollars)

5 RELATED PARTY TRANSACTIONS

The balance owing to related parties under a loan agreement entered into dated October 31, 2002 was repaid in full during 2003. During 2003, the Fund reimbursed related parties for administration expenses amounting to $29,168 (2002 - $8,000), and printing expenses amounting to $11,341 (2002 - $ nil).

6 GUARANTEES

The Fund 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 the Fund from making a reasonable estimate of the maximum potential amount it could be required to pay to counter parties. The Fund has $15 million in trustees' and officers' liability insurance coverage.

7 ECONOMIC DEPENDENCE

For purposes of declaring distributions, the Fund is entirely dependant upon interest and distributions received from FPLP.

8 COMPARATIVE FIGURES

Certain of the prior year's figures have been restated for comparative purposes.

UNITHOLDER INFORMATION

DIRECTORS AND TRUSTEES

Ronald N. Stern[1,2,4]
President, Estrella Group Management Ltd.
and Chairman of FP Canadian Newspapers Limited Partnership

Robert Silver[1,3]
President, Western Glove Works

Rudy Redekop[1]
President, FP Canadian Newspapers Limited Partnership

Stephen Dembroski[1,2,3]
Private investor

Phil de Montmollin[1,4]
Retired newspaper executive

Harvey Secter[1,2,3,4]
Dean, Faculty of Law, University of Manitoba

OFFICERS

Ronald N. Stern
Chairman

Rudy Redekop
President

Kevin Karr
Vice President, Corporate Development & Secretary

Daniel Koshowski
Chief Financial Officer

1. Director of FP Canadian Newspapers Limited Partnership
2. Trustee of FP Newspapers Income Fund
3. Audit Committee member
4. Compensation and Corporate Governance Committee member

ANNUAL MEETING

The Annual Meeting of unitholders will be held on Thursday April 29, 2004 at 3:00 pm at the Winnipeg Free Press, 1355 Mountain Avenue, Winnipeg.

AUDITORS

PricewaterhouseCoopers LLP

TRANSFER AGENT

CIBC Mellon Trust Company

INVESTOR INQUIRIES

Kevin Karr
Vice President, Corporate Development & Secretary
Ph: 604-646-3782
Email: kkarr@estrellagroup.com
Website: www.fpnewspapers.com

LISTING INFORMATION

TSX: FP.UN
UNITS: 6,902,592 outstanding

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V6B 4N8

The creative design of the 2003 Annual Report was done by Gordon Preece, the Art Director at the Winnipeg Free Press.