NEWS RELEASE

Attention: Business Editors

fp NEWSPAPERS INCOME FUND

FP Newspapers Income Fund reports Fourth Quarter 2004 results

Winnipeg, March 4, 2005 – **FP Newspapers Income Fund (TSX:FP.UN)** announces financial results for the fourth quarter ended December 31, 2004. FP Newspapers Income Fund owns a 49 per cent interest in FP Canadian Newspapers Limited Partnership ("FPLP"), which owns the Winnipeg Free Press and Brandon Sun daily newspapers and six weekly newspapers.

During the fourth quarter of 2004, FPLP retroactively adjusted circulation subscription revenues to record them at the gross amount whereas previously this revenue was reported net of certain delivery expenses. All periods have been restated from the numbers previously reported and there is no impact on net earnings of any period. (See note 3 of the consolidated financial statements of FPLP as at December 31, 2004).

Total revenue for FPLP for the three months ended December 31, 2004 was $30.4 million, a $2.4 million or 8.6 per cent increase over the same period last year. The acquisition during the third quarter of the community newspapers and advertising distribution businesses accounted for $1.8 million of this increase. Total EBITDA(1) of FPLP for the fourth quarter was $7.0 million. Excluding the acquired businesses, EBITDA(1) was $7.0 million for the fourth quarter compared to $7.3 million last year. The partnership had net earnings of $2.9 million in the fourth quarter, a 3.8 per cent decrease compared to $3.0 million in the same quarter last year.

The Fund earned $2.3 million, or $0.335 per Unit during the three months ended December 31, 2004 which is a decrease of $0.1 million or 1.9 per cent from the same quarter last year.

"Advertising revenue growth in the fourth quarter, excluding the acquired businesses, was modest at 1.2%, as compared to 2.4% growth in the first nine months of 2004," said Ronald Stern, Chairman of FPLP.

"The business generated distributable cash attributable to the Fund (2) of $1.42 per Unit in 2004, up from $1.38 in 2003," Stern continued. "Looking forward, we enter 2005 with strong reserves to support our current distribution levels, and are working hard to improve operating performance and further grow distributable cash."

Operations

Overall revenue in the fourth quarter, excluding the acquired businesses, was slightly lower than expected at $28.6 million, a $0.6 million or 2.3 per cent increase from the same quarter last year. Advertising revenue, excluding the acquired businesses, was $20.0 million, a $0.2 million or 1.2 per cent increase over the same quarter last year. The trend of increased advertising flyer distribution revenues continued in the fourth quarter with this category showing a revenue increase of $0.3 million or 9.6 per cent compared to the same period last year resulting from a combination of new flyer distribution customers and a shift by some advertising display spending into this category. Our largest advertising revenue category, display advertising including colour, was $13.2 million for the quarter compared to $13.6 million for the same period last year. This decrease was primarily the result of lower spending by one national automotive customer and lower spending by two national department stores. Classified advertising revenue, excluding the acquired businesses, continued to show strength, with total revenue of $3.5 million compared to $3.1 million in the fourth quarter last year, an increase of 12.1 per cent. Increased classified revenue was primarily the result of strong growth in the employment category together with an increase in the obituary category. Commercial printing revenues for the fourth quarter were $1.6 million, an increase of $0.3 million or 19.9 per cent primarily due to increased recurring printing contract volume.

Operating expenses, excluding amortization were $23.4 million in the fourth quarter. Excluding the acquired businesses, operating expenses excluding amortization were $21.7 million, a 4.4 per cent increase from $20.7 million reported for the fourth quarter last year. Employee compensation costs accounted for $0.5 million of this increase, a result of contracted annual rate increases, increased hours required to handle increased flyer quantities and severance costs. Newsprint prices were lower in the fourth quarter compared to last year and newsprint expense for our own products excluding the acquired businesses decreased by $0.1 million or 2.8 per cent. Newsprint expense in the quarter for commercial printing was $0.6 million, a 31.0 per cent increase over last year, the result of an increase in recurring printing jobs at both the Winnipeg and Brandon operations.

During the fourth quarter we launched two new on-line initiatives. The Winnipeg Free Press and Workopolis have partnered to bring the Workopolis brand and reach to our employment advertising customers through a combined purchase with their print ad which provides seven day exposure on one of Canada's leading employment web sites. The Winnipeg Free Press also introduced an obituary web site called "Passages" which, in addition to including obituary notices found in the printed newspaper, allows individuals to electronically send tributes, condolences and the ability to make donations to named charities. The passages site's address is www.passagesmb.ca.

Distributions

Distributable cash attributable to the Fund (2) for the three months ended December 31, 2004 was $2.9 million, or $0.412 per Unit compared to $2.7 million or $0.390 per Unit last year. The increase is attributable to a reduction in the reserve for future maintenance capital partially offset by lower 2004 EBITDA(1). For the 12 months ending December 31, 2004 FPLP has generated distributable cash attributable to the Fund (2) of $9.8 million or $1.415 per Unit and the Fund has declared distributions of $1.265 per Unit, resulting in a payout ratio of 89.4 per cent. For the period from commencement of operations on May 28, 2002 to December 31, 2004, FPLP has generated distributable cash attributable to the Fund of $3.553 per Unit, and the Fund has declared distributions of $3.239 per Unit, resulting in a cumulative payout ratio of 91.2 per cent.

The Fund declared distributions to unitholders of $0.320 per Unit for the quarter, compared to $0.310 in the fourth quarter of 2003.

Outlook

Overall advertising revenues in 2004, excluding the acquired businesses, increased by 2.1 per cent which is at the low end of our forecast of 2 to 4 per cent. Furthermore, the growth was weaker in the second half of the year. The same 2 to 4 per cent advertising growth forecast is reasonable for 2005, although we expect the first half growth to be weaker than the second half. In particular, the first quarter of 2005 will be negatively effected by having only 23 Friday and Saturday publishing dates, compared to 26 in 2004, due to the 2004 leap year and the timing of the 2005 statutory holidays. Approximately 60 percent of our weekly advertising revenue from daily newspapers is generated from the Friday and Saturday editions. Both classified advertising and flyer distribution revenue continues to be strong and we expect this to continue into next year. However, display advertising revenue was down slightly in the fourth quarter, and this trend has continued in the first two months of 2005. Advertising revenue is very difficult to forecast since advertising activity is driven by a number of factors, including general economic growth, consumer spending, employment trends and consumer confidence. We expect circulation revenue growth to be modest, possibly up 1 per cent in 2005, and do not expect any growth in commercial printing revenue.

Employee compensation costs account for approximately 50 per cent of our operating costs before amortization. Most of employee compensation costs are subject to contractual increases contained in our labour agreements. We expect employee compensation costs, on a same-store basis, to increase 3-4 per cent overall in 2005. The components of the increase include labour wage rate increases, part time costs for handling increased insert volumes, and pension and benefit cost increases. As we have previously reported, the timing of newsprint price increases are difficult to predict, however we are not aware of a planned increase in the first quarter of 2005. If prices remain at fourth quarter 2004 levels, the overall newsprint price is expected to be approximately 0.7 per cent lower in the first quarter of 2005 compared to last year.

Conference Call

FP Newspapers Income Fund invites you to participate in a conference call on Friday, March 4, 2005 at 10:00 a.m. EST to discuss the results.

The dial-in number is 416-695-9724 or toll free at 1-877-323-2092. To ensure your participation, please dial in five minutes before the start of the conference call. The call will be webcast and the link can be found at www.fpnewspapers.com. Management's presentation will be followed by a question and answer period.

For those unable to participate, a taped rebroadcast will be available to listeners upon completion of the call until midnight on March 18, 2005. To access the rebroadcast, please dial 416-695-5275 or dial toll free at 1-888-509-0081.

About FP Newspapers Income Fund

FP Canadian Newspapers Limited Partnership owns the Winnipeg Free Press, the Brandon Sun, and their related businesses as well as Canstar Community News Limited, the publisher of five community newspapers in the Winnipeg region. The Winnipeg Free Press newspaper publishes seven days a week, serving Winnipeg and Manitoba with an average seven-day circulation of approximately 128,000. The Brandon Sun also publishes seven days a week, serving the region with an average circulation of approximately 15,000. Canstar Community News publishes weekly with an average circulation of approximately 182,000. Based in Winnipeg, the businesses employ approximately 620 people in Winnipeg, Brandon and Thunder Bay. Further information can be found at **www.fpnewspapers.com** and in the disclosure documents filed by FP Newspapers Income Fund with the securities regulatory authorities available at www.sedar.com.

Forward-looking statements

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

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Management's Discussion and Analysis
March 4, 2005

Formation and Legal Entities

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

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. Canstar Community News Limited is a wholly owned subsidiary of FPLP.

FP Newspapers Income Fund

The Fund is dependant on the operations of FPLP, its sole investment. The Fund earned $2,377,000 and $5,602,000 in income from its investment in FPLP for the three and twelve months ended December 31, 2004 compared to $2,451,000 and $7,424,000 for the same periods last year. The decline in earnings for the twelve months ended December 31, 2004 is related to the $1,245,000 loss on sale of excess press components and further $3,019,000 write down of additional excess assets by FPLP in the second quarter (see "FP Canadian Newspapers Limited Partnership - Results of Operations" below). Interest income on the 11.5% subordinated notes issued by FPLP to the Fund was $1,934,000 and $7,698,000 for the three and twelve months ended December 31, 2004 compared to $1,970,000 and $7,815,000 for the same periods last year. The Fund's equity interest from its Class A limited partnership units was $443,000 and ($2,096,000) for the three and twelve months ended December 31, 2004 versus $481,000 and ($391,000) for the same periods in 2003 (see "FP Canadian Newspapers Limited Partnership – Results of Operations" below). Operating expenses incurred by the Fund were $65,000 and $262,000 for the three and twelve month periods ended December 31, 2004 compared to $94,000 and $293,000 for the same periods last year and net earnings for the three and twelve months ended December 31, 2004 was $2,315,000 and $5,350,000 versus $2,359,000 and $7,133,000 for the same periods last year.

The Fund declared distributions to unitholders of $2,210,000 or $0.320 per Unit and $8,732,000 or $1.2650 per Unit for the three and twelve months ended December 31, 2004 compared to $2,140,000 or $0.310 per Unit and $8,352,000 or $1.21 per Unit in the same periods last year. Cash available for distribution attributable to the Fund(2) was $2,844,000 or $0.412 per Unit for the quarter ended December 31, 2004 and $9,765,000 or $1.415 per Unit for the twelve months ended December 31, 2004. Cash available for distribution attributable to the Fund(2) for the three and twelve months ended December 31, 2003 was $2,693,000 and $9,531,000 or $0.390 and $1.381 per Unit.

FP Canadian Newspapers Limited Partnership
Results of Operations

During the fourth quarter of 2004, FPLP retroactively adjusted circulation subscription revenues to record them at the gross amount whereas previously this revenue was reported net of certain delivery expenses. All periods have been restated from the numbers previously reported and there is no impact on net earnings of any period. (See note 3 of the consolidated financial statements of FPLP as at December 31, 2004).

Revenue:	Three Months Ended December 31		Twelve Months Ended December 31	
	2004	2003	2004	2003
	$ Thousands		$ Thousands	
Advertising	$21,698	$19,806	$76,777	$72,115
Circulation	6,715	6,640	26,682	26,455
Commercial Printing	1,576	1,314	5,981	5,063
Promotions and Services	452	241	1,798	1,421
	$30,441	$28,001	$111,238	$105,054

Revenue for the three months ended December 31, 2004 was $30.4 million, an increase of $2.4 million, or 8.7% compared to the fourth quarter of 2003. The acquisition of the community newspapers and advertising distribution businesses during the third quarter of 2004 accounted for $1.8 million or 6.4% of this growth. Revenues, excluding the acquired businesses, increased by $0.6 million or 2.3% versus the fourth quarter last year. Advertising revenues, excluding the acquired businesses, increased by $0.2 million or 1.2%. Flyer distribution revenues, excluding the acquired businesses, increased $0.3 million or 9.6% primarily resulting from increased flyer quantities. FPLP's largest advertising revenue category, display advertising, including colour, decreased by $0.4 million or 3.2% primarily the result of lower spending by one national automotive customer and lower spending by two national department stores. Classified advertising, excluding the acquired businesses, increased by $0.4 million or 12.1% in the fourth quarter primarily coming from increases in the employment and obituary categories. Commercial printing revenues increased by $0.3 million or 19.9% resulting from an increase in printing work at both the Brandon and Winnipeg operations. Circulation revenue was higher by $0.1 million or 1.1% in the fourth quarter compared to last year resulting from the net impact of increased home delivery and selective single copy prices, offset by increased discounted bulk sales.

Revenue for the twelve months ended December 31, 2004 was $111.2 million, an increase of $6.2 million or 5.9% over the same period in 2003. The acquisition of the community newspapers and advertising distribution business during the third quarter of 2004 accounted for $3.5 million or 3.3 % of this growth. Advertising revenues, excluding the acquired businesses, increased by $1.5 million or 2.1% primarily the result of an increase of $1.5 million or 14.4 % in flyer distribution revenues resulting from an increase in pieces delivered. Our largest advertising category, display advertising including colour, excluding the acquired businesses, was lower by $1.1 million or 2.3 % in 2004 primarily the result of a shift of advertising spending by some customers into flyer business. Classified revenues, excluding the acquired businesses, increased by $1.1 million or 8.3 % versus the same twelve months last year, primarily the result of increased spending in the employment, obituary and real estate categories. Commercial printing revenues were higher by $0.9 million or 18.1 % in 2004 due to increased contract printing volume at both the Winnipeg and Brandon facilities.

Operating expenses, excluding amortization:

	Three Months Ended December 31		Twelve Months Ended December 31	
	2004	2003	2004	2003
	$ Thousands		$ Thousands	
Employee Compensation	$10,552	$9,460	$39,925	$37,076
Newsprint - Own Use	3,600	3,523	13,335	13,389
Newsprint - Commercial Printing	565	432	2,130	1,740
Delivery of Newspapers	4,547	3,732	15,829	14,006
Other	4,169	3,590	15,685	14,593
	$23,433	$20,737	$86,904	$80,804

Operating expenses, excluding amortization in the three months ended December 31, 2004 were $23.4 million, an increase of $2.7 million or 13.0% over the fourth quarter of 2003. The acquisition of the acquired businesses, accounted for $1.8 million or 8.6% of this increase. Employee compensation, excluding the acquired businesses increased by $0.5 million or 4.9% primarily the result of the contracted annual rate increases, additional part time costs required to process the increased quantities of flyer pieces, and increased pension expense for the defined benefit pension plan at the Winnipeg Free Press resulting from increased participation by part time employees and demographic changes identified in an actuarial valuation completed during the third quarter. Newsprint expense for FPLP's own publications, excluding the acquired businesses, decreased by $0.1 million or 2.1% in the fourth quarter, the result of an overall decrease of approximately 3.9% in the average price of newsprint used offset by a small increase in consumption. Newsprint expense for commercial printing increased by $0.1 million or 30.8% largely the result of increased volumes due to the National Post printing contract which started during the first quarter of 2004. Delivery costs, excluding the acquired businesses, increased by $0.3 million or 7.2% compared to the same quarter last year largely the result of the increase in flyer quantities. Other expenses, excluding the acquired businesses, were $3.7 million, a $0.1 million or 3.4% increase over the same quarter last year primarily resulting from increased promotional activities to attract circulation subscribers.

Operating expenses, excluding amortization in the twelve months ended December 31, 2004 were $86.9 million, an increase of $6.1 million or 7.5% over the same period last year. The acquisition of the acquired businesses accounted for $3.3 million or 4.1% of this increase. Employee compensation, excluding the acquired businesses, increased by $1.7 million or 4.6 % largely the result of contracted annual increases, additional compensation costs associated with the increased flyer volumes, severance costs and strategic executive appointments made in the second half of last year. Newsprint expense for FPLP's own publications, excluding the acquired businesses, decreased by $0.2 million or 1.8 % primarily the result of lower newsprint prices offset partially by increased usage. Newsprint expense for commercial printing increased by $0.4 million or 22.4 % primarily the result of increased usage relating to the National Post printing contract. Delivery costs for the twelve months ended December 31, 2004, excluding the acquired businesses, were $14.9 million, a $0.9 million or 6.2 % increase over the same period last year primarily the result of increased distribution costs resulting from increased flyer volumes. Other expenses, excluding the acquired businesses, were $14.6 million which is unchanged from last year.

EBITDA(1) for the three and twelve months ended December 31, 2004 was $7.0 million and $24.3 million. EBITDA(1) for the three and twelve months ended December 31, 2004, excluding the acquired businesses, was $7.0 million and $24.2 million, compared to $7.3 million and $24.3 million for the same periods in 2003. EBITDA(1) margin, excluding the acquired businesses, was 24.5% and 22.4% for the three and twelve month periods ended December 31, 2004 compared to 25.9% and 23.1% for the same periods last year.

Interest expense on the term credit facility, the subordinated notes and interest on capital lease obligations for the three and twelve months ended December 31, 2004 was $2.7 million and $10.6 million compared to $2.7 million and $10.9 million for the same periods last year. The decrease in interest expense for the year is a result of lower effective interest rates on the variable rate term loan together with a decrease in the interest cost on the subordinated notes resulting from the $1.0 million decrease in the principal outstanding.

As reported in our June 30, 2004 Report to Unitholder's, during the second quarter FPLP recorded a $1.2 million loss on the sale of excess press components and recorded a further non cash loss of $3.0 million relating to the reduction of the carrying value of additional excess components which are being held for sale (see "Disposal and Future Sale of Excess Press Components" under liquidity and capital resource section).

FPLP's net earnings were $2.9 million and $3.7 million for the three and twelve months ended December 31, 2004 compared to $3.0 million and $7.3 million for the same periods in 2003. The reduction in net earnings for the twelve months ended December 31, 2004 is the result of the loss on disposal and write-down of equipment discussed in the previous paragraph.

Newspaper publishing is, to a certain extent, a seasonal business with a higher proportion of revenues and operating earnings occurring during the second and fourth quarters of the calendar year. Revenue, EBITDA(1) and net earnings of FPLP by quarter for 2002, 2003 and 2004 were as follows:

	2004	2003	2002
Revenue		$Thousands	
Quarter 1	$ 25,674	$ 25,008	$ 24,820
Quarter 2	27,840	26,904	26,038
Quarter 3	27,283****	25,141	23,943
Quarter 4	30,441****	28,001	24,983*
	$111,238	$105,054	$ 99,784
EBITDA(1)			
Quarter 1	$ 5,387	$ 5,204	$ 5,139
Quarter 2	6,772	6,501	6,403
Quarter 3	5,167	5,281	4,977
Quarter 4	7,008	7,264	5,458*
	$24,334	$ 24,250	$ 21,977
Net Earnings (loss)			
Quarter 1	$ 1,231	$ 1,073	$ 2,646**
Quarter 2	(1,489)***	2,249	3,107**
Quarter 3	1,077	983	674
Quarter 4	2,917	3,032	1,289
	$ 3,736	$ 7,337	$ 7,716

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

* The decline in revenue, EBITDA and net earnings in the fourth quarter of 2002 resulted primarily from the loss of nine publishing days at the Winnipeg Free Press due to a labour interruption.

** The first and second quarters of 2002 reported higher earnings primarily due to there being no interest expense on the subordinated notes which were issued during the initial Public Offering in May 2002.

*** The decline in earnings in the second quarter was primarily due to the impact of the sale of excess press components as discussed in the "Disposal and Future Sale of Excess Press Components" section.

**** Third quarter 2004 revenue includes $1.7 million and fourth quarter of 2004 includes $1.8 million from the community newspapers and advertising distribution businesses acquired during the third quarter of 2004.

***** During the fourth quarter of 2004, FPLP retroactively adjusted circulation revenues to record them at the gross amount whereas previously this revenue was reported net of certain delivery expenses. All of the quarters have been restated from the numbers previously reported. (See note 3 of the consolidated financial statements of FPLP as at December 31, 2004)

Liquidity and Capital Resources

Cash Flow from Operations

During the three months ended December 31, 2004, cash generated from operating activities was $1.3 million, compared to $4.1 million for the fourth quarter of 2003. The net change in non-cash working capital in the fourth quarter of 2004 was $(3.0) million compared to $(0.5) million for the same period of 2003. This decrease was largely the result of timing differences relating to compensation costs and trade accounts payable.

During the twelve months ended December 31, 2004, cash generated from operating activities was $13.8 million compared to $13.4 million for the same period last year. The net change in non-cash working capital in the twelve months ended December 31, 2004 was $(0.3) million compared to $1.3 million last year. The largest factors contributing to this decrease were an increase in the prior year's trade accounts payable due to newsprint delivery timing and timing differences relating to invoice payments.

Capital Expenditures

Maintenance capital purchases representing the replacement of capital in order to sustain current business operations, totaled $0.3 million and $1.0 million for the three and twelve months ended December 31, 2004 compared to $0.2 million and $0.4 million for the same periods last year. In addition to this maintenance capital spending which was largely for technology upgrades, FPLP made a strategic capital investment of $0.5 million during the third quarter of 2004 to acquire 60 new print rolls for the mailroom at the Winnipeg Free Press. These print rolls are used to process advertising flyer pieces into the daily newspaper and will allow FPLP to more effectively keep up with the growth in flyer volumes, reduce labour costs and help to reduce the risk of late newspaper delivery.

Disposal and Future Sale of Excess Press Components

As reported in both the second and third quarter reports to Unitholders, during the second quarter of 2004, FPLP sold some of the surplus components from one of its three Winnipeg printing presses for total net proceeds of $0.9 million. The resulting non cash accounting loss of $1.2 million was reported in FPLP's second quarter statement of earnings. In addition to this, FPLP determined during the second quarter that certain other surplus components of the same press would also be marketed for sale. Based on the requirements of CICA Handbook Section 3475, "Disposal of long-lived Assets and Discontinued Operations", these components were revalued based on their estimated fair value less costs to sell. A non cash accounting loss of $3.0 million was recorded in FPLP's second quarter statement of earnings and as required, these assets have been separately disclosed in FPLP's December 31, 2004 Consolidated Balance Sheet at a carrying value of $2.3 million. During the fourth quarter there were no further disposals of this equipment.

Acquisition of Businesses

On July 13, 2004 FPLP acquired all of the assets and assumed specified liabilities of a weekly newspaper publishing business and an advertising distribution business previously operated by Transcontinental Media, the publishing arm of Transcontinental Inc. for total consideration of $7.2 million which included $0.2 million of acquisition costs. FPLP financed the entire purchase price by drawing on its available operating facility, and during the third quarter repaid the entire amount.

Reserves Related to Distributable Cash Attributable to the Fund [(2)]

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. A summary of the reserve for maintenance capital for the three and twelve months ended December 31 of 2004 and 2003 is as follows:

	Three Months Ended December 31 $ Thousands		Twelve Months Ended December 31 $ Thousands	
	2004	2003	2004	2003
Reserve at beginning of period	$ 701	$ -	$ 641	$ -
Increase in reserve	-	641	155	641
Decrease in reserve	(71)	-	(166)	-
Reserve at end of period	$ 630	$ 641	$ 630	$ 641

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

During the second quarter of 2004 the Managing General Partner determined that it was desirable to establish a reserve in the amount of $1.0 million for purposes of future strategic capital, acquisitions and/or debt reduction. The amount of the reserve initially established during the second quarter is equal to the net proceeds received on the sale of surplus equipment described above. As discussed above, during the third quarter a strategic capital acquisition was made for mailroom print rolls at the Winnipeg Free Press and this amount has been deducted from this reserve. A summary of the reserve for strategic capital, acquisitions and/or debt reduction is as follows:

	Three Months Ended December 31 $ Thousands		Twelve Months Ended December 31 $ Thousands	
	2004	2003	2004	2003
Reserve at beginning of period	$ 510	$ -	$ -	$ -
Increase in reserve	-	-	956	-
Decrease in reserve	-	-	(446)	-
Reserve at end of period	$ 510	$ -	$ 510	$ -

These reserves are non-GAAP measures established and utilized at the discretion of the board of directors of FPLP, and have no impact on the GAAP financial statements.

Financing Activities

Distributions to partners of FPLP for the three and twelve months ended December 31, 2004 totaled $2.6 million and $10.6 million and have been determined in accordance with the Amended and Restated Agreement of Limited Partnership dated May 24, 2002. Distributions to partners for the three and twelve months ended December 31, 2003 totaled $2.7 million and $11.3 million.

Cash and cash equivalents at December 31, 2004 total $0.6 million. Cash and cash equivalents may be used to pay future distributions, to reduce debt, to fund future capital expenditures, or for other general purposes. Cash flow from operations, together with cash balances on hand and unutilized credit facilities, are expected to be sufficient to fund FPLP's operating requirements, capital expenditures and anticipated distributions.

During the fourth quarter FPLP entered into capital lease obligations for certain production equipment. The total minimum lease payments including interest over the next four years is $1.1 million and the interest rates charged range from 5.3% to 6.9%.

At December 31, 2004 FPLP's current liabilities exceed its current assets due to the requirement to classify the term loan as a current liability as discussed in note 5 of FPLP's December 31, 2004 consolidated financial statements. It is management's intention to complete the re-financing of this loan prior to its maturity and once the terms are finalized this loan will be re-classified as a long term liability.

Business Risks and Uncertainties

Revenue

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

Employee Relations

The majority of FPLP's employees are unionized and their employment is governed by the terms of collective agreements. A work stoppage could restrict or eliminate the ability of FPLP to earn revenue from its publishing business during the stoppage. Contracts are now 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 $15.5 million of expenses in 2004. Newsprint costs vary widely from time to time. If newsprint costs rise rapidly, there is no assurance that advertising and circulation revenues can be increased to offset the increased newsprint expense.

Outlook

The outlook for operations is described earlier in this document.

Non GAAP Measures

(1) EBITDA

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

	Three Months Ended December 31		Twelve Months Ended December 31	
	2004	2003	2004	2003
	$ Thousands		$ Thousands	
Net earnings for the period	$ 2,917	$ 3,032	$ 3,736	$ 7,337
Add (subtract):				
Amortization of property, plant and equipment	1,064	1,092	4,171	4,353
Amortization of intangible assets	90	90	362	362
Interest	2,676	2,730	10,563	10,929
Amortization of deferred financing costs	346	346	1,382	1,382
Interest income	(4)	(24)	(61)	(98)
(Loss)/gain on disposal of property, plan and equipment	(1)	(2)	1,242	(15)
Write down of equipment held for sale	-	-	3,019	-
Future income taxes	(80)	-	(80)	-
EBITDA	$ 7,008	$ 7,264	$ 24,334	$ 24,250

(2) Distributable Cash Attributable to the Fund

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

	Three Months Ended December 31		Twelve Months Ended December 31	
	2004	2003	2004	2003
Distributable cash of FPLP:	$ Thousands		$ Thousands	
EBITDA[1]	$ 7,008	$ 7,264	$ 24,334	$ 24,250
Interest income	4	24	61	98
Interest expense on term loan and capital leases	(742)	(760)	(2,865)	(3,114)
Principal repayment of capital leases	(90)	-	(90)	-
Maintenance capital expenditures	(320)	(205)	(1,017)	(401)
Decrease (increase) in reserve for future maintenance capital	71	(641)	11	(641)
Strategic capital expenditures	-	-	(446)	-
(Increase) in reserve for future strategic capital, acquisitions, and/or debt reduction	-	-	(510)	-
Proceeds from sale of property, plant and equipment	-	2	965	57
	$ 5,931	$ 5,684	$ 20,443	$ 20,249
49% attributable to the Fund	2,906	2,785	10,017	9,922
Administration expenses	(65)	(94)	(262)	(293)
Loan from related party	-	-	-	(100)
Interest income	3	2	10	2
Distributable cash attributable to the Fund	$ 2,844	$ 2,693	$ 9,765	$ 9,531
Distributable cash attributable to the Fund – per Unit	$ 0.412	$ 0.390	$ 1.415	$ 1.381

A summary of distributable cash and distributions declared for the trailing twelve months to December 31, 2004 and for the period from commencement of the Fund on May 28, 2002 to December 31, 2004 is as follows:

Distributable Cash of FPLP:

	Last Twelve Months	Since May 28, 2002
	$ Thousands	
EBITDA[1]	$ 24,334	$ 61,670
Interest income	61	217
Interest expense on term loan and capital leases	(2,865)	(7,809)
Principal repayment of capital leases	(90)	(90)
Maintenance capital expenditures	(1,017)	(2,011)
Decrease (increase) in reserve for future maintenance capital expenditures	11	(630)
Strategic capital expenditures	(446)	(446)
Proceeds on disposal of property, plant and equipment	965	1,032
Increase in reserve for strategic capital, acquisitions, and/or debt reduction	(510)	(510)
Distributable cash of FPLP	$ 20,443	$ 51,423

Distributable Cash Attributable to the Fund:

	Last Twelve Months	Since May 28, 2002
	$ Thousands	
49% of FPLP distributable cash	$ 10,017	$ 25,197
Administration expenses	(262)	(680)
Interest income	10	10
Distributable cash attributable to the Fund	$ 9,765	$ 24,527
Distributable cash attributable to the Fund per unit	$1.415	$3.553
Distributions declared by the Fund per unit	$1.265	$3.239
Payout Ratio	89.4%	91.2%

A reconciliation of FPLP's distributable cash to cash flows from operating activities, as reported in FPLP's three and twelve month Consolidated Statements of Cash Flows is as follows:

	Three Months Ended December 31		Twelve Months Ended December 31	
	2004	2003	2004	2003
	$ Thousands		$ Thousands	
Cash flow from operating activities of FPLP	$ 1,328	$ 4,103	$ 13,529	$ 14,749
Add (subtract)				
Interest on subordinated notes *	1,934	1,970	7,698	7,815
Net change in non-cash working capital items **	3,008	455	303	(1,330)
Maintenance capital expenditures	(320)	(205)	(1,017)	(401)
Principal repayment of capital leases	(90)	-	(90)	-
Strategic capital expenditures	-	-	(446)	-
Decrease (increase) in reserve for future maintenance capital ***	71	(641)	11	(641)
(Increase) in reserve for future strategic capital, acquisitions, and/or debt reduction ***	-	-	(510)	-
Proceeds from sale of property, plant and equipment ****	-	2	965	57
Distributable cash of FPLP	$ 5,931	$ 5,684	$ 20,443	$ 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 statements of cash flows, changes in non-cash working capital are not normally included in the calculation of distributable cash, as these changes can often be financed with an available operating line of credit, or represent only a temporary source of cash, due to seasonal fluctuations.

*** Increases in the reserves for future maintenance capital, strategic capital, acquisitions, and/or debt reduction are shown as a deduction in determining distributable cash. Decreases in the reserves are shown as an increase in the determination of distributable cash. Such reserves are non-GAAP measures established and utilized at the discretion of the board of directors of FPLP, and have no impact on the GAAP financial statements.

**** Proceeds from sale of property, plant and equipment is a component of distributable cash, but is not included in cash flow from operating activities because it is classified as an investing activity in the statement of cash flows.

FP Newspapers Income Fund
Consolidated Balance Sheets
(unaudited, in thousands of Canadian dollars)

	As at December 31, 2004	As at December 31, 2003
ASSETS		
Current Assets :		
Cash	$ 384	$ 330
Interest receivable from subordinated notes	633	654
Prepaid expenses	21	24
	1,038	1,008
Investment in FP Canadian Newspapers Limited Partnership	62,587	65,948
	$ 63,625	$ 66,956
LIABILITIES AND UNITHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 74	$ 40
Distribution payable (note 2)	742	725
	816	765
Unitholders' equity:		
Trust units	69,026	69,026
Cumulative earnings	16,144	10,794
Cumulative distributions	(22,361)	(13,629)
	62,809	66,191
	$ 63,625	$ 66,956

(See accompanying notes)

FP Newspapers Income Fund
Consolidated Statements of Earnings and Cumulative Earnings
(unaudited, in thousands of Canadian dollars except for per unit information)

	Three months ended December 31, 2004	Three months ended December 31, 2003	Twelve months ended December 31, 2004	Twelve months ended December 31, 2003
Earnings from investment in FP Canadian Newspapers Limited Partnership				
Interest from subordinated notes	$ 1,934	$ 1,970	$ 7,698	$ 7,815
Equity interest from Class A units (note 3)	443	481	(2,096)	(391)
Other interest	3	2	10	2
	2,380	2,453	5,612	7,426
Administration expenses	(65)	(94)	(262)	(293)
Net earnings for the period	$ 2,315	$ 2,359	$ 5,350	$ 7,133
Cumulative earnings, beginning of period	13,829	8,435	10,794	3,661
Cumulative earnings, end of period	$ 16,144	$ 10,794	$ 16,144	$ 10,794
Number of trust units outstanding	6,902,592	6,902,592	6,902,592	6,902,592
Earnings per trust unit	$ 0.335	$ 0.342	$ 0.775	$ 1.033

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

	Three months ended December 31, 2004	Three months ended December 31, 2003	Twelve months ended December 31, 2004	Twelve months ended December 31, 2003
Balance beginning of period	$ 62,704	$ 65,972	$ 66,191	$ 67,410
Net earnings	2,315	2,359	5,350	7,133
Distributions to Unitholders	(2,210)	(2,140)	(8,732)	(8,352)
Balance end of period	$ 62,809	$ 66,191	$ 62,809	$ 66,191

(See accompanying notes)

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

	Three months ended December 31, 2004	Three months ended December 31, 2003	Twelve months ended December 31, 2004	Twelve months ended December 31, 2003
Cash provided by (used in):				
Operating activities:				
Net earnings for the period	$ 2,315	$ 2,359	$ 5,350	$ 7,133
Item not affecting cash:				
Equity interest from Class A units of FP Canadian Newspapers Limited Partnership (note 3)	(443)	(481)	2,096	391
Distributions received on Class A units of FP Canadian Newspapers Limited Partnership	317	319	1,265	1,207
Net change in non-cash working capital items	48	62	58	(44)
	2,237	2,259	8,769	8,687
Financing activities:				
Distributions to Unitholders	(2,193)	(2,105)	(8,715)	(8,317)
Loan from Related Parties	-	-	-	(100)
	(2,193)	(2,105)	(8,715)	(8,417)
Change in cash balance	44	154	54	270
Cash balance, beginning of period	340	176	330	60
Cash balance, end of period	$ 384	$ 330	$ 384	$ 330

(See accompanying notes)

FP Newspapers Income Fund
Notes to Consolidated Financial Statements as at December 31, 2004
(unaudited, tabular amounts in thousands of dollars)

1. Basis of presentation

FP Newspapers Income Fund (the "Fund") was created on May 15, 2002 and commenced operations on May 28, 2002 when it completed an initial Public offering and purchased an interest in FP Canadian Newspapers Limited Partnership ("FPLP"). The Fund owns securities entitling it to 49% of the distributable cash of FPLP.

These interim consolidated financial statements of the Fund have been prepared by management in accordance with accounting principles generally accepted in Canada for interim financial statements and include the accounts of the Fund and its wholly-owned subsidiary, FPCN Holdings Trust. However, these interim financial statements do not include all the information and disclosures required for annual financial statements. These statements have been prepared following the same accounting policies and methods of computation as the consolidated financial statements of the Fund as at December 31, 2003. These interim consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto and other financial information contained in the audited consolidated financial statements for the year ended December 31, 2003.

2. Distribution payable

The Fund recorded a distribution payable at December 31, 2004 of $0.1075 per unit. The distribution was paid January 28, 2005 to unitholders of record on December 31, 2004 and is in respect of the month of December 2004.

3. Equity interest from Class A limited partnership units

FP Newspapers Income Fund owns securities entitling it to 49% of the distributable cash of FPLP. For accounting purposes, the equity interest from the Fund's investment in Class A limited partnership units of FPLP is calculated as follows:

	Three months ended December 31,		Twelve months ended December 31,	
	2004	2003	2004	2003
Net earnings of FPLP	$ 2,917	$ 3,032	$ 3,736	$ 7,337
Plus: Interest on subordinated notes	1,934	1,970	7,698	7,815
Net earnings before interest on subordinated notes	$ 4,851	$ 5,002	$ 11,434	$ 15,152
49% interest attributable to the fund	2,377	2,451	5,602	7,424
Less: Interest from subordinated notes	(1,934)	(1,970)	(7,698)	(7,815)
Equity interest from Class A limited partnership units	$ 443	$ 481	$ (2,096)	$ (391)

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

	As at December 31, 2004	As at December 31, 2003
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 571	$ 5,434
Accounts receivable	12,506	11,088
Inventories	976	988
Prepaid expenses and deposits	1,138	1,395
Future income tax asset	80	-
	15,271	18,905
Equipment held for sale (note 6)	2,289	-
Property, plant and equipment	56,365	65,194
Deferred financing costs	3,378	4,760
Intangible Assets	9,179	9,331
Goodwill (note 8)	70,860	64,805
	$ 157,342	$ 162,995
LIABILITIES AND UNITHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 9,289	$ 9,148
Prepaid subscriptions and deferred revenue	2,828	2,798
Current obligations under capital leases	270	-
Term loan (note 5)	59,600	-
	71,987	11,946
Long-term liabilities:		
Term loan (note 5)	-	59,600
Subordinated notes	64,954	66,954
Obligations under capital leases	776	-
	65,730	126,554
	137,717	138,500
Unitholders' equity:		
Partnership units	34,793	32,793
Cumulative earnings	21,153	17,417
Cumulative distributions	(36,321)	(25,715)
	19,625	24,495
	$ 157,342	$ 162,995

(See accompanying notes)

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

	Three months ended December 31, 2004	Three months ended December 31, 2003	Twelve months ended December 31, 2004	Twelve months ended December 31, 2003
Revenue (note 3)	$ 30,441	$ 28,001	$ 111,238	$ 105,054
Operating expenses, excluding amortization	(23,433)	(20,737)	(86,904)	(80,804)
	7,008	7,264	24,334	24,250
Amortization of property, plant and equipment	(1,064)	(1,092)	(4,171)	(4,353)
Amortization of intangible assets	(90)	(90)	(362)	(362)
Earnings before the undernoted and future income taxes	5,854	6,082	19,801	19,535
Interest (note 9)	(2,676)	(2,730)	(10,563)	(10,929)
Amortization of deferred financing costs	(346)	(346)	(1,382)	(1,382)
Interest income	4	24	61	98
(Loss)/gain on disposal of property, plant and equipment (note 6)	1	2	(1,242)	15
Write down of equipment held for sale (note 6)	-	-	(3,019)	-
Earnings for the period before future income taxes	2,837	3,032	3,656	7,337
Future income tax benefit	80	-	80	-
Net earnings for the period	2,917	3,032	3,736	7,337
Cumulative earnings – beginning of period	18,236	14,385	17,417	10,080
Cumulative earnings – end of period	$ 21,153	$ 17,417	$ 21,153	$ 17,417

(See accompanying notes)

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

	General partner units	Limited partner Class A units	Total
Unitholders' equity – Jan. 1, 2003	26,620	823	27,443
Net earnings for the period	1,064	9	1,073
Distributions paid	(2,716)	(22)	(2,738)
Unitholders' equity – March 31, 2003	24,968	810	25,778
Net earnings for the period	1,965	284	2,249
Distributions paid	(2,558)	(490)	(3,048)
Unitholders' equity – June 30, 2003	24,375	604	24,979
Net earnings for the period	831	152	983
Distributions paid	(2,444)	(379)	(2,823)
Unitholders' equity – Sept. 30, 2003	22,762	377	23,139
Contributions	-	1,000	1,000
Net earnings for the period	2,692	340	3,032
Distributions paid	(2,360)	(316)	(2,676)
Unitholders' equity – Dec. 31, 2003	23,094	1,401	24,495
Net earnings for the period	1,087	144	1,231
Distributions paid	(2,324)	(308)	(2,632)
Unitholders' equity – March 31, 2004	21,857	1,237	23,094
Net (loss) for the period	(1,314)	(175)	(1,489)
Distributions paid	(2,348)	(320)	(2,668)
Unitholders' equity – June 30, 2004	18,195	742	18,937
Net earnings for the period	949	128	1,077
Distributions paid	(2,348)	(320)	(2,668)
Unitholders' equity – September 30, 2004	16,796	550	17,346
Contributions	-	2,000	2,000
Net earnings for the period	2,568	349	2,917
Distributions paid	(2,322)	(316)	(2,638)
Unitholders' equity – December 31, 2004	17,042	2,583	19,625

(See accompanying notes)

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

	Three months ended December 31, 2004	Three months ended December 31, 2003	Twelve months ended December 31, 2004	Twelve months ended December 31, 2003
Cash provided by (used in)				
Operating activities:				
Net earnings for the period	$ 2,917	$ 3,032	$ 3,736	$ 7,337
Items not affecting cash:				
Amortization	1,500	1,528	5,915	6,097
Future income taxes	(80)	-	(80)	-
Loss/(gain) on disposal of property, plant and equipment (note 6)	(1)	(2)	1,242	(15)
Write down of equipment (note 6)	-	-	3,019	-
	4,336	4,558	13,832	13,419
Net change in non-cash working capital items	(3,008)	(455)	(303)	1,330
	1,328	4,103	13,529	14,749
Investing activities:				
Acquisition (note 8)	(24)	-	(7,198)	-
Purchases of property, plant and equipment	(320)	(205)	(1,463)	(401)
Proceeds from sale of property, plant and equipment	-	2	965	57
	(344)	(203)	(7,696)	(344)
Financing activities:				
Distributions to partners	(2,638)	(2,676)	(10,606)	(11,285)
Operating loan advance	-	-	7,100	-
Repayment of operating loan	-	-	(7,100)	-
Principal repayment of capital lease	(90)	-	(90)	-
	(2,728)	(2,676)	(10,696)	(11,285)
(Decrease) Increase in cash and cash equivalents	(1,744)	1,224	(4,863)	3,120
Cash and cash equivalents - beginning of period	2,315	4,210	5,434	2,314
Cash and cash equivalents - end of period	$ 571	$ 5,434	$ 571	$ 5,434

(See accompanying notes)

FP Canadian Newspapers Limited Partnership
Notes to Consolidated Financial Statements as at December 31, 2004
(unaudited, tabular amounts in thousands of dollars)

1. Basis of presentation

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

These financial statements include only the assets, liabilities, revenues and expenses of FPLP and its subsidiary 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.

The Partnership's advertising revenues are seasonal. Revenue and accounts receivable are highest in the second and fourth quarters while expenses are relatively constant.

2. Summary of significant accounting policies

Basis of presentation

These financial statements are prepared in accordance with accounting principles generally accepted in Canada for interim financial statements and reflect all adjustments which are, in the opinion of management, necessary for fair statement of the results of the interim period presented. However, these interim financial statements do not include all the information and disclosures required for annual financial statements. The accounting policies used in the preparation of these interim financial statements are the same as those used in the most recent annual financial statements except as indicated below. These interim statements should be read in conjunction with the audited financial statements of FPLP for the year ended December 31, 2003.

CICA Accounting Guideline 13 ("AcG 13)

FPLP adopted CICA Accounting Guideline 13, "Hedging Relationships" effective January 1, 2004. In accordance with AcG 13 each of FPLP's hedging relationships are documented and subject to an effectiveness test on a quarterly basis for reasonable assurance that they are and will continue to be effective. As required by this Guideline a derivative that does not qualify for hedge accounting is reported on a mark to market basis in earnings. The adoption of this guideline had no impact on the financial statements.

Income taxes

FPLP is not a taxable entity, and accordingly, no provision for income taxes relating to FPLP is included in the financial statements since all income, deductions, gains, losses and credits are reportable on the tax returns of the partners. FPLP's subsidiary is subject to tax and uses the liability method for accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities and are measured using substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse. FPLP's subsidiary has non-capital losses in the amount of $226,000 which can be used to reduce the company's taxable income in the future. The tax benefit of this loss is estimated at $80,000 and has been recognized as an asset in the consolidated balance sheet of FPLP. The non capital loss expires in the year ending December 31, 2014.

3. Restatement of revenue and operating expenses, excluding amortization

During the fourth quarter, FPLP retroactively adopted the provisions of the Emerging Issues Committee of the CICA, EIC 123, "Reporting Revenue Gross as a Principal versus Net as an Agent". Under the provision, circulation revenues for home delivered subscribers are reported on a gross basis, whereas these revenue sources were previously reported net of certain delivery costs. The impact of this change was to increase both revenue and operating expenses, excluding amortization by $1,571,000 and $5,615,000 for the three and twelve months ending December 31, 2004 and $1,354,000 and $5,248,000 for the three and twelve months ended December 31, 2003.

4. Allocation of net income

The amended and restated Agreement of Limited Partnership dated May 24, 2002 sets out the method for allocating net income between the general and limited partner units. Net income is allocated to the general partner units and the Class A limited partner units in proportion to the distributions made to the partners over an annual basis ending December 31 each year. As the allocation is defined using an annual period, quarterly allocations are determined by using a proportionate share of cumulative distributions and cumulative net income to the end of each quarter.

5. Term loan

The term loan matures in May 2005 and FPLP intends to refinance this loan prior to its maturity. Since the terms of the re-financing have not yet been completed the entire term loan has been classified as a current liability on FPLP's balance sheet.

6. Loss on disposal and write down of assets held for sale

During the second quarter of 2004, FPLP sold certain surplus components of one of its printing presses and realized a loss on disposal of $1,245,000. FPLP also made the decision during the second quarter to sell other surplus printing press components. The value of these components, was written down to their estimated fair value less costs to sell of $2,289,000 and the resulting loss on write down of $3,019,000 is included in the second quarter statement of earnings.

7. Employee future benefit plans

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

	Three months ended December 31, 2004	Three months ended December 31, 2003	Twelve months ended December 31, 2004	Twelve months ended December 31, 2003
Defined benefit pension plan	$ 330	$ 266	$ 1,320	$ 971

8. Acquisition

On July 13, 2004 FPLP acquired substantially all of the assets and assumed specified liabilities of a weekly newspaper publishing business and an advertising distribution business previously operated by Transcontinental Media, the publishing arm of Transcontinental Inc. Concurrent with the acquisition, FPLP entered into a license and use agreement with its subsidiary Canstar Community News Limited, whereby Canstar would license the acquired assets and operate the acquired businesses.

The transaction has been accounted for by the purchase method and the results of operations are included in FPLP's accounts from the date of acquisition. Total consideration, including costs of acquisition was $7,198,000 and was allocated based on the estimated fair values of the assets acquired and liabilities assumed as follows:

Current assets	$ 1,095
Property, plant and equipment	297
Mastheads	210
Goodwill	6,055
	7,657
Less current liabilities	(459)
	7,198
Consideration:	
Cash	6,986
Acquisition costs	212
	$ 7,198

9. Interest expense

Interest expense is summarized as follows:

	Three months ended December 31, 2004	Three months ended December 31, 2003	Twelve months ended December 31, 2004	Twelve months ended December 31, 2003
Subordinated notes	$ 1,934	$ 1,970	$ 7,698	$ 7,815
Term loan	722	760	2,845	3,114
Capital lease obligations	20	-	20	-
	2,676	2,730	10,563	10,929