NEWS RELEASE

NEWSPAPERS fp INCOME FUND

FP Newspapers Income Fund reports Third Quarter 2005 results

Winnipeg, November 9, 2005 – FP Newspapers Income Fund (TSX:FP.UN) announces financial results for the third quarter ended September 30, 2005. 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 Canstar Community News Limited that operates seven community and special interest newspapers in the Winnipeg area as well as advertising delivery businesses in Winnipeg, Brandon and Thunder Bay.

Total revenue for FPLP for the three months ended September 30, 2005 was $28.0 million, a $0.7 million or 2.6 per cent increase over the same period last year. The acquisition during the third quarter in 2004 of the community newspapers and advertising distribution businesses and Rosebud Publications Ltd. in July of 2005 accounted for $0.4 million or 1.4 per cent of this increase. The $0.3 million or 1.2 per cent increase in revenue on a same store basis is primarily due to higher circulation revenues and continued growth in the classified advertising and flyer distribution categories which offset losses in display advertising revenues. Total EBITDA(1) of FPLP for the third quarter was $5.2 million, which is unchanged versus the third quarter of 2004. Excluding the acquired businesses, EBITDA(1) was $5.1 million for the third quarter compared to $5.0 million last year. The partnership had net earnings of $1.4 million in the third quarter compared to $1.1 million in the same quarter last year.

The Fund earned $1.6 million, or $0.225 per Unit during the three months ended September 30, 2005 compared to $1.4 million, or $0.202 per Unit for the same quarter last year.

Operations

Overall revenue in the third quarter, excluding the businesses acquired in the third quarter of 2004 and the current quarter, was $25.9 million, a $0.3 million or 1.2 per cent increase from the same quarter last year. Advertising revenue, excluding the acquired businesses, was $16.9 million, a $0.1 million or 0.5 per cent decrease over the same quarter last year. The trend of increased classified advertising revenues, excluding the acquired businesses, continued in the third quarter of 2005 with this category showing an increase of $0.1 million or 2.4 per cent compared to the same period last year resulting from increased employment advertising partially offset by a reduction in used automobile classified advertising. Our largest advertising revenue category, display advertising including colour and excluding the acquired businesses, was $10.0 million which is a decrease of $0.3 million or 2.9 per cent from the $10.3 million reported for the same period last year. The net decrease was primarily due to lower spending by one national automotive customer and two large retailers. Flyer distribution revenues, excluding the acquired businesses, increased by $0.1 million primarily due to higher insert rates. Circulation revenue for the third quarter was $6.8 million, an increase of $0.2 million or 2.4 per cent, primarily due to subscription rate increases implemented during the fourth quarter of 2004. Promotions and services revenue, excluding the acquired businesses, increased by $0.1 million or 21.1 per cent primarily resulting from increased internet revenues from the employment category.

Operating expenses, excluding amortization were $22.8 million in the third quarter. Excluding the acquired businesses, operating expenses, excluding amortization were $20.8 million, a 1.3 per cent increase from $20.5 million reported for the third quarter last year. Newsprint expense for our own products, excluding the acquired businesses, was unchanged from the same period last year due to consumption and prices being relatively consistent. Newsprint expense in the quarter for commercial printing was also unchanged from the same quarter last year. Delivery costs, excluding the acquired businesses, were $3.7 million for the third quarter, a 3.9 per cent increase from the $3.6 million reported for the three months ended September 30, 2004 and this was primarily due to contracted delivery rate increases and higher fuel prices. Other expenses, excluding the acquired businesses, increased by $0.1 million or 2.1 per cent compared to the same quarter last year.

During the third quarter, Canstar Community News Limited, a wholly owned subsidiary of FPLP, completed the acquisition of Rosebud Publications Ltd. which publishes Uptown, a weekly entertainment newspaper with circulation of approximately 17,000 and a twice monthly newspaper aimed at age 50 plus readers in Winnipeg which has a circulation of approximately 10,000. During the third quarter the Rosebud operation was re-located into the existing Canstar leased facility and management continues to identify operational efficiencies.

Distributions

Distributable cash attributable to the Fund(2) for the three months ended September 30, 2005 was $1.9 million, or $0.275 per Unit compared to $2.0 million or $0.288 per Unit last year. For the nine months ended September 30, 2005 FPLP has generated distributable cash attributable to the Fund(2) of $6.3 million or $0.911 per Unit and the Fund has declared distributions of $0.968 per Unit. For the period from commencement of operations on May 28, 2002 to September 30, 2005, FPLP has generated distributable cash attributable to the Fund of $4.464 per Unit, and the Fund has declared distributions of $4.207 per Unit, resulting in a cumulative payout ratio of 94.2 per cent.

The Fund declared distributions to unitholders of $0.323 per Unit for the quarter, compared to $0.315 per Unit in the third quarter of 2004.

Outlook

Advertising revenues in the third quarter were lower than our expectations. On a same store basis total advertising revenues decreased by 0.5 per cent in the third quarter versus the same quarter last year. We continued to see lower spending by one national automotive account and a national department store customer which were the primary reasons for this weakness. Early in the fourth quarter we have seen some improvement in advertising revenues but it is very difficult to predict if this improvement will continue for the remainder of the quarter.

A significant amount of work has taken place over the past number of months on the negotiations of the collective bargaining agreements which expired for the Winnipeg Free Press unionized employees and delivery carriers on September 30 and will expire on December 31 for Brandon Sun unionized employees. Preliminary meetings were held during the third quarter between FPLP management and the union representatives to discuss various issues relating to the renewal of the expired contracts. Continued meetings are expected to take place during the fourth quarter.

As we previously announced, newsprint suppliers did implement price increases in the third quarter and our view remains that we do not anticipate any further increases during the fourth quarter. If no further increases occur, newsprint prices are estimated to increase by slightly less than 3 per cent in the fourth quarter compared to the same period last year.

Conference Call

FP Newspapers Income Fund invites you to participate in a conference call on Wednesday, November 9, 2005 at 12:00 p.m. Eastern to discuss results.

The dial-in number is 416-695-9712, or toll free at 1-877-323-2091. To ensure your participation, please dial in five minutes before the start of the conference call. The call will also be webcast 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 November 25, 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 seven community and special interest 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 125,000. 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 209,000. Based in Winnipeg, the businesses employ approximately 630 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.

For further information:

Kevin Karr
Vice President, Chief Financial Officer and Secretary
Phone: 604-646-3782
Fax: 604-681-8861

Management's Discussion and Analysis
November 8, 2005

Overview

Management's Discussion and Analysis provides a review of significant developments that have affected the Fund's performance during the period January 1, 2005 to September 30, 2005. This review is based on financial information contained in the consolidated financial statements. 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.

The following information provides analysis of the operations and financial position of the Fund and FPLP and should be read in conjunction with the consolidated financial statements and accompanying notes. The interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

Further information relating to the Fund is available at www.sedar.com.

Formation and Legal Entities

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

FPLP is a limited partnership formed on August 9, 1999. FPLP acquired the business and assets and assumed certain liabilities of the Winnipeg Free Press and Brandon Sun newspapers effective November 29, 2001. In July 2004, FPLP acquired five weekly newspapers in the Winnipeg area, as well as advertising delivery businesses in Winnipeg, Brandon and Thunder Bay and operates them under its wholly owned subsidiary Canstar Community News Limited. On July 21, 2005, Canstar Community News Limited completed the purchase of 100 per cent of the outstanding shares of Rosebud Publications Ltd. which publishes two specialty newspapers in the Winnipeg market. (see Investing Activities section)

FP Newspapers Income Fund

The Fund is dependant on the operations of FPLP, its sole investment. The Fund earned $1,618,000 and $5,297,000 in income from its investment in FPLP for the three and nine months ended September 30, 2005 compared to $1,476,000 and $3,226,000 for the same periods last year. The higher earnings in the nine months ending September 30, 2005 are primarily due to the write down and loss on sale of surplus equipment which occurred in the second quarter of 2004. Interest income on the 11.5% subordinated notes issued by FPLP to the Fund was $1,883,000 and $5,587,000 for the three and nine months ended September 30, 2005 compared to $1,936,000 and $5,764,000 for the same periods last year. The Fund's equity interest from its Class A limited partnership units was ($265,000) and ($290,000) for the three and nine months ended September 30, 2005 versus ($460,000) and ($2,538,000) for the same periods in 2004 (see "FP Canadian Newspapers Limited Partnership – Results of Operations" below). Administration expenses incurred by the Fund were $64,000 and $192,000 for the three and nine months ended September 30, 2005 compared to $83,000 and $197,000 for the same periods last year and net earnings for the three and nine months ended September 30, 2005 was $1,556,000 and $5,112,000 versus $1,394,000 and $3,035,000 for the same periods last year.

The Fund declared distributions to unitholders of $2,227,000 or $0.323 per Unit and $6,679,000 or $0.968 per Unit for the three and nine months ended September 30, 2005 compared to $2,174,000 or $0.315 per Unit and $6,522,000 or $0.945 per Unit in the same periods last year. Cash available for distribution attributable to the Fund[(2)] was $1,901,000 or $0.275 per Unit for the quarter ended September 30, 2005 and $6,286,000 or $0.911 per Unit for the nine months ended September 30, 2005. Cash available for distribution attributable to the Fund[(2)] for the three and nine months ended September 30, 2004 was $1,987,000 and $6,920,000 or $0.288 and $1.003 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.

Revenue:

	Three Months Ended September 30		Nine Months Ended September 30	
	2005	2004	2005	2004
	In thousands		In thousands	
Advertising	$ 18,806	$ 18,470	$ 58,395	$ 55,079
Circulation	6,784	6,624	20,146	19,966
Commercial Printing	1,532	1,439	4,612	4,406
Promotions and Services	883	750	1,927	1,347
	$ 28,005	$ 27,283	$ 85,080	$ 80,798

Revenue for the three months ended September 30, 2005 was $28.0 million, an increase of $0.7 million, or 2.6% compared to the third quarter of 2004. The acquisition of the community newspapers and advertising distribution businesses during the third quarter of 2004 and Rosebud Publications Ltd. in July 2005 accounted for $0.4 million or 1.4% of this increase. Advertising revenues, excluding the acquired businesses, decreased by $0.1 million or 0.5% compared to the third quarter last year. FPLP's largest advertising revenue category, display advertising including colour, excluding the acquired businesses, decreased by $0.3 million or 2.9% primarily the result of lower spending by one national automotive customer and two large retailers. Flyer distribution revenues, excluding the acquired businesses, increased by $0.1 million or 4.5% primarily due to higher insert rates. Classified advertising, excluding the acquired businesses, increased by $0.1 million or 2.4% in the third quarter due to increased employment advertising partially offset by a reduction in used automobile classified advertising. Circulation revenue was higher by $0.2 million or 2.4% in the third quarter compared to last year resulting primarily from subscription rate increases implemented during the fourth quarter of 2004. Promotions and services revenue, excluding the acquired businesses, increased by $0.1 million or 21.1% in the third quarter primarily the result of increased internet revenues from the employment category.

Revenue for the nine months ended September 30, 2005 was $85.1 million, an increase of $4.3 million or 5.3% over the same period in 2004. The acquisition of the community newspapers and advertising distribution businesses during the third quarter of 2004 and Rosebud Publications Ltd. in July 2005 accounted for $4.1 million or 5.1% of this increase. Advertising revenues, excluding the acquired businesses, decreased by $0.5 million or 1.0%. Our largest advertising category, display advertising including colour, excluding the acquired businesses, was lower by $1.5 million or 4.5% in the first nine months of 2005 primarily due to lower spending by two national automotive customers. Flyer distribution revenues, excluding the acquired businesses, increased by $0.4 million or 4.8% primarily due to higher flyer volumes in the first quarter of 2005 and higher insert rates. Classified revenues, excluding the acquired businesses, increased by $0.6 million or 5.5% versus the same nine months last year primarily due to increases in the employment and obituary categories. Commercial printing revenues were higher by $0.2 million or 4.7% in the first nine months of 2005 due primarily to the National Post printing contract being in force for nine full months in 2005 compared to approximately seven months in the same period last year. Promotions and services revenue, excluding the acquired businesses, increased by $0.3 million or 25.2% in the nine months ended September 30, 2005 and the majority of this increase was due to increased internet revenues together with a successful collector pin promotion in the second quarter of 2005.

Operating expenses, excluding amortization:

	Three Months Ended September 30		Nine Months Ended September 30	
	2005	2004	2005	2004
	In thousands		In thousands	
Employee Compensation	$ 10,366	$ 10,124	$ 31,516	$ 29,373
Newsprint – Own Use	3,280	3,166	9,949	9,735
Newsprint - Commercial Printing	550	504	1,624	1,564
Delivery of Newspapers	4,342	3,993	13,006	11,281
Other	4,291	4,329	12,413	11,519
	$ 22,829	$ 22,116	$ 68,508	$ 63,472

Operating expenses, excluding amortization in the three months ended September 30, 2005 were $22.8 million, an increase of $0.7 million or 3.2% over the third quarter of 2004. The acquisition of the community newspapers and advertising distribution businesses during the third quarter of 2004 and Rosebud Publications Ltd. in July 2005 accounted for $0.4 million or 1.9% of this increase. Employee compensation, excluding the acquired businesses, was $9.6 million which is unchanged from the same period last year. During the third quarter last year, additional pension costs were recorded resulting from an actuarial valuation completed. Total compensation costs increased by approximately 1.4 per cent after factoring out these additional costs from the 2004 third quarter expense. Newsprint expense for FPLP's own publications, excluding the acquired businesses, was unchanged in the quarter due to consistent prices and consumption when compared to the same period last year. Newsprint expense for commercial printing was also unchanged in the third quarter compared to last year. Delivery costs, excluding the acquired businesses, increased by $0.1 million or 3.9% compared to the same quarter last year and this was largely related to contracted delivery rate increases and higher fuel prices. Other expenses, excluding the acquired businesses, were $3.8 million, a $0.1 million or 2.1% increase over the same quarter last year.

Operating expenses, excluding amortization in the nine months ended September 30, 2005 were $68.5 million, an increase of $5.0 million or 7.9% over the same period last year. The acquisition of the community newspapers and advertising distribution businesses accounted for $4.1 million or 6.3% of this increase. Employee compensation, excluding the acquired businesses, increased by $0.6 million or 2.1% largely the result of annual contracted salary increases. Newsprint expense for FPLP's own publications, excluding the acquired businesses, decreased by $0.2 million or 2.2% primarily the result of slightly lower newsprint prices and lower consumption in the first quarter. Newsprint expense for commercial printing was largely unchanged compared to the same period last year. Delivery costs for the nine months ended September 30, 2005, excluding the acquired businesses, were $11.3 million, a $0.4 million or 3.5% increase over the same period last year primarily the result of increased insert volumes in the first quarter, contracted delivery rate increases and higher fuel costs. Other expenses, excluding the acquired businesses, increased by $0.2 million or 1.5% compared to the same nine months last year.

EBITDA(1) for the three and nine months ended September 30, 2005 was $5.2 million and $16.6 million, compared to $5.2 million and $17.3 million for the same period last year. EBITDA(1) for the three and nine months ended September 30, 2005, excluding the acquired businesses, was $5.1 million and $16.4 million, compared to $5.0 million and $17.1 million for the same periods in 2004. EBITDA(1) margin, excluding the acquired businesses, was 19.5% and 20.6% for the three and nine month periods ended September 30, 2005 compared to 20.6% and 22.8% for the same periods last year.

Interest expense on the term credit facility, the series A senior secured notes, the subordinated notes and capital lease obligations for the three and nine months ended September 30, 2005 was $2.7 million and $8.0 million compared to $2.6 million and $7.9 million for the same periods last year. The slightly higher expense is the result of the $0.4 million increase in the notes payable/term loan in the second quarter of 2005 together with a slightly higher effective interest rate.

FPLP's net earnings were $1.4 million and $5.2 million for the three and nine months ended September 30, 2005 compared to a net income of $1.1 million and a $0.8 million for the same periods in 2004. The increase in net earnings in the nine months ending September 30, 2005 is largely resulting from the write down and loss on sale of surplus equipment in FPLP in the second quarter of 2004.

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 2003, 2004 and the first three quarters of 2005 was as follows:

	2005	2004	2003
		In thousands	
Revenue			
Quarter 1	$ 26,805(**)	$ 25,674	$ 25,008
Quarter 2	30,270(**)	27,840	26,904
Quarter 3	28,005	27,283(**)	25,141
Quarter 4		30,441(**)	28,001
		$111,238	$105,054
EBITDA(1)			
Quarter 1	$ 4,302(***)	$ 5,387	$ 5,204
Quarter 2	7,094	6,772	6,501
Quarter 3	5,176	5,167	5,281
Quarter 4		7,008	7,264
		$ 24,334	$ 24,250

Net Earnings (loss)			
Quarter 1	$ 485 (***)	$ 1,231	$ 1,073
Quarter 2	3,320	(1,489) (*)	2,249
Quarter 3	1,420	1,077	983
Quarter 4		2,917	3,032
		$ 3,736	$ 7,337

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 earnings in the second quarter of 2004 was due to the disposal and write-down in value of excess press components which resulted in a $4,264,000 charge against income.

(**) The increase in revenue from the same quarter(s) in the prior year(s) is primarily due to the revenue from the community newspapers and advertising distribution businesses acquired during the third quarter of 2004.

(***) Decrease in EBITDA[1] and net earnings is primarily due to lower revenues due to two fewer publishing days and an 11.5% decline in Friday/Saturday publishing days.

Liquidity and Capital Resources of FPLP

Cash and cash equivalents at September 30, 2005 was $2.2 million compared to $2.3 million at September 30, 2004. Cash and cash equivalents may be used to pay future distributions, to reduce debt, to fund future capital expenditures, or for other general purposes. Operating activities provided $3.4 million during the third quarter of 2005, while $0.5 million was used for investing activities and $2.8 million was used for financing activities. 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.

Cash Flow from Operating Activities

During the three months ended September 30, 2005, cash generated from operating activities was $3.4 million, compared to $4.4 million for the third quarter of 2004. This decrease is largely the result of the timing of defined benefit pension plan contributions and a reclassification on the balance sheet in respect to a capital lease obligation.

During the nine months ended September 30, 2005, cash generated from operating activities was $11.2 million, compared to $12.3 million for the same period last year.

Investing Activities

Maintenance capital purchases, representing the replacement of capital in order to sustain current business operations, totaled $0.1 million and $0.5 million for the three and nine months ended September 30, 2005 compared to $0.5 million and $1.1 million for the same periods last year. Maintenance capital purchases in the third quarter consisted primarily of computer hardware and software upgrades. Maintenance capital spending is expected to increase during the fourth quarter largely in the computer and technology area and building improvements and is expected to be in line with our full year estimated spending of $1.2 million.

On July 21, 2005, FPLP's subsidiary, Canstar Community News Limited, completed the acquisition of all of the outstanding common shares of Rosebud Publications Ltd. (Rosebud) for $0.4 million. The acquisition was paid for in cash. Rosebud is the publisher of Uptown Magazine, a weekly entertainment newspaper serving Winnipeg, with a circulation of approximately 17,000 copies. A subsidiary of Rosebud is the publisher of The Prime Times newspaper, aimed at age 50 plus readers in Winnipeg and area, with a twice-monthly circulation of approximately 10,000 copies. It is expected that the acquisition of Rosebud will generate approximately $0.8 million in revenue annually.

Financing Activities

Distributions to partners of FPLP for the three and nine months ended September 30, 2005 totaled $2.7 million and $8.1 million, of which $0.4 million and $1.1 million was paid to the Fund as holder of Class A limited partnership units. The distributions to partners have been determined in accordance with the Amended and Restated Agreement of Limited Partnership dated May 3, 2005. Distributions to partners for the three and nine months ended September 30, 2004 totaled $2.7 million and $8.0 million, of which $0.3 million and $0.9 million was paid to the Fund.

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

Under the terms of the Amended and Restated Agreement of Limited Partnership dated May 3, 2005, the Managing General Partner is required to determine reserves which are necessary or desirable to withhold from any distributions to Partners, including among other things for capital expenditures and operating expenses. A summary of the reserve for maintenance capital for the three and nine months ended September 30, 2005 and 2004 is as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2005	2004	2005	2004
	In thousands		In thousands	
Reserve at beginning of period	$ 704	$ 689	$ 630	$ 641
Increase in reserve	139	12	259	155
Decrease in reserve	-	-	(46)	(95)
Reserve at end of period	$ 843	$ 701	$ 843	$ 701

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 an amount of $1.0 million for purposes of future strategic capital, acquisitions and/or debt reduction. The amount of the reserve initially established was equal to the net proceeds received on the sale of surplus equipment in the second quarter of 2004. A summary of the reserve for strategic capital, acquisitions and/or debt reduction for the three and nine months ended September 30, 2005 and 2004 is as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2005	2004	2005	2004
	In thousands		In thousands	
Reserve at beginning of period	$ 190	$ 956	$ 510	$ -
Increase in reserve	-	-	-	956
Decrease in reserve	(33)	(446)	(353)	(446)
Reserve at end of period	$ 157	$ 510	$ 157	$ 510

FPLP has incurred $0.8 million in costs related to the issuance of the 5.20% Series A Senior Secured Notes, which will be amortized to expense over the term to maturity on June 5, 2010. For purposes of determining distributable cash, this expenditure has been funded by a $0.4 million increase in long term debt and a $0.4 million reduction in the reserve for strategic capital, acquisitions and/or debt reduction.

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.

Business Risks and Uncertainties

Revenue

Advertising revenue, which accounts for greater than 68% 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 with unionized employees at the Winnipeg Free Press expired September 30, 2005. Collective agreements covering unionized employees at the Brandon Sun expire December 31, 2005. Preliminary meetings were held during the third quarter between FPLP management and the union representatives to discuss various issues relating to the renewal of the expired contracts. Continued meetings are expected to take place during the fourth quarter.

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.

Taxation Consultation

On September 8, 2005, the Department of Finance (Canada) released a consultation paper on tax and other issues related to publicly listed flow-through entities ("FTEs") such as income trusts and limited partnerships and invited interested parties to make submissions prior to December 31, 2005. The stated focus of the consultation paper is to assess the tax and economic efficiency implications of FTE's to determine if the current tax system is appropriate or should be modified. Although the consultation paper does not propose any particular legislative or administrative changes, it identifies possible policy approaches, including limiting the deduction of interest expenses by operating entities, taxing FTE's in a manner similar to corporations or better integrating the personal and corporate income tax systems to make the tax system more neutral between forms of business organizations. On September 19, 2005, the Minister of Finance (Canada) announced that he had requested that Canada Revenue Agency postpone providing advance income tax rulings respecting FTE structures pending these consultations, that the Department of Finance (Canada) is closely monitoring developments in the FTE market with a view to proposing measures in response to the consultations and that consideration would be given to what, if any, transitional measures were appropriate. Further initiatives in this area, if any, including the possible initiatives referred to in the consultation paper, may be taken following the completion of such consultations. Accordingly, legislative changes in this area are possible, and such changes could negatively impact FPLP and the Fund. At this stage, it is not possible to determine what changes, if any, will become law and therefore it is not possible to assess the potential impact on FPLP or the Fund.

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 September 30		Nine Months Ended September 30	
	2005	2004	2005	2004
	In thousands		In thousands	
Net earnings for the period	$ 1,420	$ 1,077	$ 5,225	$ 819
Add (subtract):				
Amortization of property, plant and equipment	877	1,024	2,605	3,107
Amortization of intangible assets	91	91	272	272
Interest expense	2,746	2,642	8,049	7,889
Amortization of deferred financing costs	142	345	700	1,036
Interest income	(7)	(10)	(22)	(59)
(Gain) loss on sale of property, plant and equipment	(7)	(2)	(26)	1,243
Write down of property, plant and equipment held for sale	-	-	-	3,019
Future income tax recovery	(86)	-	(231)	-
EBITDA	$ 5,176	$ 5,167	$ 16,572	$ 17,326

(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 September 30		Nine Months Ended September 30	
	2005	2004	2005	2004
Distributable cash of FPLP:	In thousands		In thousands	
EBITDA[(1)]	$ 5,176	$ 5,167	$ 16,572	$ 17,326
Interest income	7	10	22	59
Interest expense on term loan, series A senior secured notes and capital leases	(863)	(706)	(2,462)	(2,125)
Principal repayment of capital leases	(68)	-	(201)	-
Maintenance capital expenditures	(111)	(238)	(537)	(697)
Strategic capital expenditures	-	(446)	-	(446)
Increase in reserve for future maintenance capital	(139)	(12)	(213)	(60)
Proceeds from sale of property, plant and equipment	4	2	26	965
Decrease (increase) in reserve for future strategic capital, acquisitions, and/or debt reduction	-	446	-	(510)
	$ 4,006	$ 4,223	$ 13,207	$ 14,512
49% attributable to the Fund	1,963	2,069	6,471	7,111
Administration expenses	(64)	(83)	(192)	(197)
Interest income	2	1	7	6
Distributable cash attributable to the Fund	$ 1,901	$ 1,987	$ 6,286	$ 6,920
Distributable cash attributable to the Fund – per Unit	$ 0.275	$ 0.288	$ 0.911	$ 1.003

A summary of distributable cash and distributions declared for the trailing twelve months to September 30, 2005 and for the period from commencement of the Fund on May 28, 2002 to September 30, 2005 is as follows:

Distributable Cash of FPLP:

	Last Twelve Months	Since May 28, 2002
	In thousands	
EBITDA[(1)]	$ 23,580	$ 78,242
Interest income	24	239
Interest expense on term loan, series A senior secured notes and capital leases	(3,202)	(10,271)
Principal repayment of capital leases	(291)	(291)
Maintenance capital expenditures	(857)	(2,548)
Increase in reserve for future maintenance capital expenditures	(142)	(843)
Strategic capital expenditures	-	(446)
Proceeds on disposal of property, plant and equipment	26	1,058
Increase (decrease) in reserve for strategic capital, acquisitions, and/or debt reduction	-	(510)
Distributable cash of FPLP	$ 19,138	$ 64,630

Distributable Cash Attributable to the Fund:

	Last Twelve Months	Since May 28, 2002
	In thousands	
49% of FPLP distributable cash	$ 9,378	$ 31,669
Administration expenses	(257)	(872)
Interest income	11	17
Distributable cash attributable to the Fund	$ 9,132	$ 30,814
Distributable cash attributable to the Fund per unit	$ 1.323	$ 4.464
Distributions declared by the Fund per unit	$ 1.285	$ 4.207
Payout Ratio	97.1%	94.2 %

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2005	2004	2005	2004
	In thousands		In thousands	
Cash flow from operating activities of FPLP	$ 3,432	$ 4,423	$ 11,203	$ 12,315
Add (subtract):				
Interest on subordinated notes (*)	1,883	1,936	5,587	5,764
Net change in non-cash working capital items (**)	(995)	(1,888)	(2,658)	(2,819)
Maintenance capital expenditures	(111)	(238)	(537)	(697)
Strategic capital expenditures	-	(446)	-	(446)
Principal repayment of capital leases	(68)	-	(201)	-
Increase in reserve for future maintenance capital (***)	(139)	(12)	(213)	(60)
Decrease (increase) in reserve for future strategic capital, acquisitions, and/or debt reduction (***)	-	446	-	(510)
Proceeds from sale of property, plant and equipment (****)	4	2	26	965
Distributable cash of FPLP	$ 4,006	$ 4,223	$ 13,207	$ 14,512

(*) 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 would be 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 September 30, 2005	As at December 31, 2004
ASSETS		
Current Assets :		
Cash and cash equivalents	$ 257	$ 384
Interest receivable from subordinated notes	614	633
Prepaid expenses	33	21
	904	1,038
Investment in FPCN General Partner Inc., at cost	10	1
Investment in FP Canadian Newspapers Limited Partnership (note 2)	61,188	62,587
	$ 62,102	$ 63,626
LIABILITIES AND UNITHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 118	$ 75
Distribution payable (note 3)	742	742
	860	817
Unitholders' Equity:		
Trust units	69,026	69,026
Cumulative earnings	21,256	16,144
Cumulative distributions	(29,040)	(22,361)
	61,242	62,809
	$ 62,102	$ 63,626

(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 September 30, 2005	Three Months Ended September 30, 2004	Nine Months Ended September 30, 2005	Nine Months Ended September 30, 2004
Earnings from investment in FP Canadian Newspapers Limited Partnership				
Interest from subordinated notes	$ 1,883	$ 1,936	$ 5,587	$ 5,764
Equity interest from Class A limited partnership units (note 2)	(265)	(460)	(290)	(2,538)
Other interest	2	1	7	6
	1,620	1,477	5,304	3,232
Administration expenses	(64)	(83)	(192)	(197)
Net earnings for the period	$ 1,556	$ 1,394	$ 5,112	$ 3,035
Cumulative earnings, beginning of period	19,700	12,435	16,144	10,794
Cumulative earnings, end of period	$ 21,256	$ 13,829	$ 21,256	$ 13,829
Number of trust units outstanding	6,902,592	6,902,592	6,902,592	6,902,592
Net earnings per trust unit	$ 0.225	$ 0.202	$ 0.741	$ 0.440

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

	Three Months Ended September 30, 2005	Three Months Ended September 30, 2004	Nine Months Ended September 30, 2005	Nine Months Ended September 30, 2004
Balance, beginning of period	$ 61,913	$ 63,484	$ 62,809	$ 66,191
Net earnings	1,556	1,394	5,112	3,035
Distributions	(2,227)	(2,174)	(6,679)	(6,522)
Balance, end of period	$ 61,242	$ 62,704	$ 61,242	$ 62,704

(See accompanying notes)

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

	Three Months Ended September 30, 2005	Three Months Ended September 30, 2004	Nine Months Ended September 30, 2005	Nine Months Ended September 30, 2004
Cash provided by (used in):				
Operating activities:				
Net earnings for the period	$ 1,556	$ 1,394	$ 5,112	$ 3,035
Item not affecting cash:				
Equity interest from Class A units of FP Canadian Newspapers Limited Partnership (note 2)	265	460	290	2,538
Distributions received on Class A units of FP Canadian Newspapers Limited Partnership (note 2)	379	320	1,109	948
Net change in non-cash working capital items	23	(26)	50	11
	2,223	2,148	6,561	6,532
Financing activities:				
Distributions to unitholders	(2,227)	(2,174)	(6,679)	(6,522)
Investing activities:				
Investment in FPCN General Partner Inc.	-	-	(9)	-
(Decrease) increase in cash and cash equivalents	(4)	(26)	(127)	10
Cash and cash equivalents, beginning of period	261	366	384	330
Cash and cash equivalents, end of period	$ 257	$ 340	$ 257	$ 340

(See accompanying notes)

FP Newspapers Income Fund
Notes to Consolidated Financial Statements as at September 30, 2005
(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. The accounting policies used in the preparation of these interim consolidated financial statements are the same as those used in the most recent annual financial statements. These interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Fund for the year ended December 31, 2004.

2. 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**
Balance at June 30, 2005	$ 64,954	$ (3,122)	$ 61,832
Equity interest	-	(265)	(265)
Distributions received	-	(379)	(379)
Balance at September 30, 2005	$ 64,954	$ (3,766)	$ 61,188

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

	Three Months Ended September 30, 2005	Three Months Ended September 30, 2004	Nine Months Ended September 30, 2005	Nine Months Ended September 30, 2004
Net earnings of FPLP	$ 1,420	$ 1,077	$ 5,225	$ 819
Plus: Interest on subordinated notes	1,883	1,936	5,587	5,764
Net earnings before interest on subordinated notes	$ 3,303	$ 3,013	$ 10,812	$ 6,583
49% interest attributable to the Fund	1,618	1,476	5,297	3,226
Less: Interest from subordinated notes	(1,883)	(1,936)	(5,587)	(5,764)
Equity interest from Class A limited partnership units	$ (265)	$ (460)	$ (290)	$ (2,538)

3. Distribution payable

The Fund recorded a distribution payable at September 30, 2005 of $0.1075 per unit. The distribution was paid October 28, 2005 to unitholders of record on September 30, 2005 and is in respect of the month of September 2005.

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

	As at September 30, 2005	As at December 31, 2004
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 2,174	$ 571
Accounts receivable	11,407	12,506
Inventories	1,236	976
Prepaid expenses	937	1,138
Future income taxes	346	80
	16,100	15,271
Equipment held for sale	2,289	2,289
Property, plant and equipment	54,314	56,365
Deferred financing costs	3,430	3,378
Intangible assets (note 9)	8,917	9,179
Goodwill (note 9)	71,160	70,860
	$ 156,210	$ 157,342
LIABILITIES AND UNITHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 10,760	$ 9,289
Prepaid subscriptions and deferred revenue	2,919	2,828
Current obligations under capital leases	280	270
Term loan	-	59,600
	13,959	71,987
Long-Term Liabilities:		
Subordinated notes	64,954	64,954
Obligations under capital leases	565	776
Notes payable (note 5)	60,000	-
	125,519	65,730
	139,468	137,717
Unitholders' Equity:		
Partnership units	34,793	34,793
Cumulative earnings	26,378	21,153
Cumulative distributions	(44,439)	(36,321)
	16,732	19,625
	$ 156,210	$ 157,342

(See accompanying notes)

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

	Three months Ended September 30, 2005	Three months Ended September 30, 2004	Nine Months Ended September 30, 2005	Nine Months Ended September 30, 2004
Revenue (note 4)	$ 28,005	$ 27,283	$ 85,080	$ 80,798
Operating expenses, excluding amortization (note 4)	(22,829)	(22,116)	(68,508)	(63,472)
	5,176	5,167	16,572	17,326
Amortization of property, plant and equipment	(877)	(1,024)	(2,605)	(3,107)
Amortization of intangible assets	(91)	(91)	(272)	(272)
Earnings before the under-noted	4,208	4,052	13,695	13,947
Interest (note 8)	(2,746)	(2,642)	(8,049)	(7,889)
Amortization of deferred financing costs	(142)	(345)	(700)	(1,036)
Interest income	7	10	22	59
Gain (loss) on sale of property, plant and equipment	7	2	26	(1,243)
Write down of property, plant and equipment held for sale	-	-	-	(3,019)
Net earnings before future income tax recovery	1,334	1,077	4,994	819
Future income tax recovery	86	-	231	-
Net earnings for the period	1,420	1,077	5,225	819
Cumulative earnings – beginning of period	24,958	17,159	21,153	17,417
Cumulative earnings – end of period	$ 26,378	$ 18,236	$ 26,378	$ 18,236

(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 – 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 – Sept. 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 – Dec. 31, 2004	17,042	2,583	19,625
Net earnings for the period	421	64	485
Distributions paid	(2,301)	(351)	(2,652)
Unitholders' equity – March 31, 2005	15,162	2,296	17,458
Net earnings for the period	2,868	452	3,320
Distributions paid	(2,354)	(379)	(2,733)
Unitholders' equity – June 30, 2005	15,676	2,369	18,045
Net earnings for the period	1,222	198	1,420
Distributions paid	(2,354)	(379)	(2,733)
Unitholders' equity – September 30, 2005	14,544	2,188	16,732

(See accompanying notes)

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

	Three months Ended September 30, 2005	Three months Ended September 30, 2004	Nine months Ended September 30, 2005	Nine months Ended September 30, 2004
Cash provided by (used in)				
Operating activities:				
Net earnings for the period	$ 1,420	$ 1,077	$ 5,225	$ 819
Items not affecting cash:				
Amortization	1,110	1,460	3,577	4,415
Future income tax recovery	(86)	-	(231)	-
(Gain) loss on sale of property, plant and equipment	(7)	(2)	(26)	1,243
Write down of property, plant and equipment held for sale	-	-	-	3,019
	2,437	2,535	8,545	9,496
Net change in non-cash working capital items	1,005	1,888	2,668	2,819
	$ 3,442	$ 4,423	$ 11,213	$ 12,315
Investing activities:				
Acquisitions (note 9)	$ (427)	$ (7,288)	$ (427)	$ (7,288)
Purchases of property, plant and equipment	(111)	(684)	(537)	(1,143)
Proceeds from sale of property, plant and equipment	4	2	26	965
	$ (534)	$ (7,970)	$ (938)	$ (7,466)
Financing activities:				
Deferred financing costs	$ (33)	$ -	$ (753)	$ -
Distributions to partners	(2,733)	(2,668)	(8,118)	(7,968)
Operating loan advance	-	7,100	-	-
Principal repayment of capital leases	(68)	-	(201)	-
Proceeds on issuance of series A senior secured notes	-	-	60,000	-
Repayment of operating loan	-	(7,100)	-	-
Repayment of term loan	-	-	(59,600)	-
	$ (2,834)	$ (2,668)	$ (8,672)	$ (7,968)
Increase (decrease) in cash and cash equivalents	$ 74	$ (6,215)	$ 1,603	$ (3,119)
Cash and cash equivalents - Beginning of period	2,100	8,530	571	5,434
Cash and cash equivalents - end of period	$ 2,174	$ 2,315	$ 2,174	$ 2,315
Supplemental cash flow information:				
Interest paid during the period	$ 2,993	$ 2,630	$ 7,602	$ 7,809

(See accompanying notes)

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. FPCN Media Funding Inc. ("Funding") is a wholly owned subsidiary of FPCN General Partner Inc., the managing general partner of FPLP. Funding is a Variable Interest Entity as defined in Accounting Guideline 15, Consolidation of Variable Interest Entities, of the Canadian Institute of Chartered Accountants. FPLP is the primary beneficiary of Funding and therefore must consolidate the results of Funding into its consolidated financial statements.

These interim consolidated financial statements include only the assets, liabilities, revenues and expenses of FPLP, its subsidiary, Canstar Community News Limited, and FPCN Media Funding Inc. and do not include the other assets, liabilities, revenues and expenses, including income taxes, of the partners. These interim consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada for interim financial statements and reflect all adjustments which are, in the opinion of management, necessary for fair statement of the results of the interim 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 consolidated financial statements are the same as those used in the most recent annual financial statements. These interim consolidated financial statements should be read in conjunction with the audited financial statements of FPLP for the year ended December 31, 2004.

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

Deferred financing costs

Deferred financing costs represent fees and costs in connection with the issuance of the series A senior secured notes and subordinated notes. These deferred costs are amortized on a straight-line basis over the 5 and 10 year terms of the related debt.

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. Canstar Community News Limited (Canstar), a wholly owned subsidiary of FPLP, and Rosebud Publications Ltd. (Rosebud), a wholly owned subsidiary of Canstar, are subject to tax and both use 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. Canstar and Rosebud have non-capital losses in the amount of approximately $840,000 which can be used to reduce its taxable income in the future. The tax benefit of the losses are estimated at $346,000 and have been recognized as an asset in the consolidated balance sheet of FPLP. The non-capital losses commence expiring in the year ending December 31, 2007.

3. Allocation of net income

The amended and restated Agreement of Limited Partnership dated May 3, 2005 sets out the method for allocating net income between the general and limited partner units. Net income is allocated to the general partner units and the Class A limited partner units in proportion to the distributions made to the partners over an annual basis ending December 31 each year. As the allocation is defined using an annual period, quarterly allocations are determined by using a proportionate share of cumulative distributions and cumulative net income to the end of each quarter.

4. Restatement of revenue and operating expenses, excluding amortization

During the fourth quarter of 2004, 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 revenue and operating expenses, excluding amortization for the three and nine months ended September 30, 2004 have been restated from the amounts previously reported in an amount of $1,381,000 and $4,043,000 to reflect this change.

5. Notes Payable

On May 5, 2005, FPCN Media Funding Inc. ("Funding"), a wholly owned subsidiary of FPCN General Partner Inc., the managing general partner of FPLP, entered into a Note Purchase and Private Shelf Agreement with The Prudential Insurance Company of America ("Prudential"). Under this agreement, Funding sold to Prudential $60 million of its 5.20% Series A Senior Secured Notes due June 5, 2010. Funding subsequently loaned the proceeds of $60 million to FPLP under a credit agreement dated May 5, 2005. The notes payable to Prudential are guaranteed, jointly and severally, by FPLP and its subsidiary and FPCN General Partner Inc. Substantially all of the assets of FPLP and its subsidiary are pledged as security on the notes payable.

In addition, Prudential has provided an uncommitted three year shelf facility, available until May 4, 2008, in the amount of USD $25.6 million (or the Canadian dollar equivalent) whereby Funding may issue additional notes with terms of between five and seven years, bearing interest at rates to be determined at the time of issue, subject to acceptance of such notes by Prudential. These funds may be loaned to FPLP to fund acquisitions and for other general purposes, subject to acceptance by Prudential.

6. Credit Facility

In May 2005, FPLP amended its existing credit facility. The amended credit facility provides up to $10 million in financing and matures May 4, 2006. Amounts borrowed under the credit facility will have varying interest rates and maturity dates depending on whether the loans are in the form of advances, bankers' acceptances or letters of credit. Substantially all of the assets of FPLP and its subsidiary are pledged as security for the credit facility, in accordance with the terms of an intercreditor agreement between the bank lender and the Series A Senior Secured Note Agent. The balance owing under the credit facility at September 30, 2005 is nil (December 31, 2004 – nil).

7. Employee future benefit plans

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

	Three months Ended September 30,		Nine months Ended September 30,	
	2005	2004	2005	2004
Defined benefit pension plan	$ 390	$ 502	$ 1,162	$ 1,097

8. Interest expense

Interest expense is summarized as follows:

	Three months Ended September 30,		Nine months Ended September 30,	
	2005	2004	2005	2004
Subordinated notes	$ 1,883	$ 1,936	$ 5,587	$ 5,764
Series A senior secured notes/term loan	852	706	2,427	2,125
Capital lease obligations	11	-	35	-
	$ 2,746	$ 2,642	$ 8,049	$ 7,889

9. Acquisition of Rosebud Publications Ltd.

Effective July 21, 2005, Canstar Community News Limited, a wholly owned subsidiary of FPLP, acquired all of the outstanding shares of Rosebud Publications Ltd. which publishes a weekly entertainment newspaper and a twice monthly newspaper targeted at age 50 plus readers both of which are distributed in the Winnipeg market. The acquisition has been accounted for by the purchase method. The total consideration for the acquisition by FPLP, including acquisition costs, amounted to $426,581.

A summary of the fair values of the net assets acquired is as follows:

Current assets	$ 214
Current liabilities	(113)
Property, plant and equipment	15
Goodwill	300
Intangible assets	10
	$ 427

The results of operations of the acquired business are included in the consolidated financial statements from the acquisition date.

The acquisition in 2004, which was adjusted at December 31, 2004 to reflect a final purchase price of $7,198,000, is more fully described in note 15 of the consolidated financial statements of FPLP for the year ended December 31, 2004.

10. Commitment

FPLP has entered into an agreement to upgrade its Classified Advertising System for a total of $113,000 US. The upgrade is expected to be completed by January 2006.