NEWSPAPERS fp INCOME FUND

Q1 – 2008
Quarterly Report
March 31, 2008

TSX: FP.UN

First Quarter Report
March 31, 2008
Report to Unitholders

fp NEWSPAPERS INCOME FUND

Dear Fellow Unitholders:

I am pleased to provide you with a report on the results of our operations and related distributions to Unitholders of FP Newspapers Income Fund (the "Fund") for the quarter ending March 31, 2008. FP Newspapers Income Fund owns securities entitling it to 49 percent of the distributable cash of FP Canadian Newspapers Limited Partnership ("FPLP"), which owns the Winnipeg Free Press and Brandon Sun daily newspapers, and Canstar Community News Limited ("Canstar") which operates five weekly newspapers, a weekly entertainment newspaper and a twice monthly newspaper aimed at age 50-plus readers in the Winnipeg area, as well as delivery businesses in Winnipeg and Thunder Bay.

Total revenue for FPLP for the three months ended March 31, 2008 was $30.0 million, a $0.2 million or 0.6 percent increase over the same period last year. Revenue growth for the quarter was anticipated to be negatively impacted by the Good Friday non-publishing day, which fell in the second quarter last year, but partly offset by an additional publishing day resulting from the February leap year. Total EBITDA(1) of FPLP for the first quarter was $6.0 million, a $0.3 million or 5.0 percent increase from the same quarter last year. The partnership had net earnings of $2.3 million in the first quarter compared to $2.1 million in the same quarter last year. The increase in net earnings in the first quarter is primarily the result of the increase in EBITDA(1).

The Fund had net earnings of $1.9 million, or $0.269 per Unit, during the three months ended March 31, 2008, compared to net earnings of $1.8 million, or $0.254 per Unit, in the same quarter last year. The increase in net earnings in the first quarter is primarily due to the increase in the net earnings of FPLP.

Operations

Advertising revenue in the first quarter was $20.7 million, a $0.2 million or 1.1 percent increase over the same quarter last year. Our largest advertising revenue category, display advertising including colour was $12.5 million for the quarter, an increase of 0.7 percent, compared to $12.4 million for the same period last year. This increase is primarily due to an increased spending in the local and national automotive category, partially offset by lower employment advertising and reduced spending in the telecommunications category. Flyer distribution revenue increased by $0.1 million or 2.9 percent, primarily due to increased rates. Circulation revenue increased by 0.8 percent in the first quarter of 2008, largely due to rate increases implemented in the fourth quarter of 2007.

Operating expenses, excluding amortization for the first quarter were $24.0 million, a 0.5 percent decrease from the $24.1 million in the same quarter last year. Employee compensation costs increased $0.4 million or 3.5 percent, compared to the first quarter last year primarily due to annual contracted rate increases and statutory holiday costs for both the Good Friday non-publishing day and the first annual provincial Louis Riel statutory holiday which falls on the third Monday in February. While the Winnipeg Free Press published a newspaper on this new statutory holiday, the decision on whether to publish on this statutory holiday next year will be made later this year. Newsprint expenses for FPLP's own publications decreased by $0.5 million or 14.8 percent, as a result of lower newsprint prices as well as slightly lower consumption. Delivery costs were $4.6 million for the quarter, a 1.9 percent increase from the $4.5 million in the same quarter last year primarily due to increased carrier costs due to contracted rate increases as well as additional costs associated with two additional statutory holidays.

The 2007 NADbank readership survey results were released in March and once again the Winnipeg Free Press continues to show the highest readership percentage across all large Canadian cities with competitive newspapers. The NADbank survey showed Free Press weekday readership at 43 percent, which is unchanged from last year and was 9 percent higher than the next highest large Canadian city with competing daily newspapers. The same survey showed Saturday readership was down slightly from the 2006 survey – 54 percent of the adult population compared with 56 percent last year. Our primary competitor, the Winnipeg Sun, showed weekday readership in the 2007 NADbank survey of 21 percent which is unchanged compared to the prior year and Saturday readership of 17 percent which is down from 18 percent from the 2006 NADbank survey. The 2007 Nadbank survey showed that the online readership of the Winnipeg Free Press increased to 11 percent from 9 percent in 2006.

We strive for exceptional journalism throughout all our publications. We are pleased to report that a number of our employees have been recognized by their peers. Four members of the Winnipeg Free Press editorial department and a cartoonist whose work appears in the Brandon Sun have been nominated for prestigious National Newspaper Awards. At the Free Press, Jen Skerritt has been nominated for her beat reporting in her first year on the health pages. Columnist Gordon Sinclair was cited for a trio of columns, and Comment Editor Gerald Flood was recognized for his editorial writing. Photographer Phil Hossack was nominated for a picture of lightning illuminating an abandoned grain elevator near Sanford, Manitoba, last summer. Hossack's picture also was awarded first place in the pictorial category for the Pictures of the Year contest, sponsored by the News Photographers Association of Canada. At the Brandon Sun, John B. Larter's work was nominated for a national Newspaper Award in the editorial cartooning category.

The Winnipeg Free Press recently completed the launch of a new Auto website, which offers advertisers another method of advertising their new and used vehicle inventory as well as the opportunity for local dealership and national brand advertising on the internet.

Distributions

Distributable cash attributable to the Fund(2) for the three months ended March 31, 2008 was $2.3 million, or $0.327 per Unit compared to $2.1 million or $0.300 per Unit last year. For the trailing twelve months ended March 31, 2008, FPLP has generated distributable cash attributable to the Fund(2) of $1.636 per Unit, and the Fund has declared distributions of $1.290 per Unit, resulting in a payout ratio of 78.9 percent.

The Fund declared distributions to Unitholders of $0.323 per Unit for the first quarter, unchanged from the first quarter last year.

Outlook

Display advertising revenue in the first quarter was slightly below our expectations. It is early in the second quarter, but we have continued to see display revenue at lower levels than what we had anticipated. The forecasted annual advertising growth of between 2 to 3 percent provided in our 2007 annual report, is less certain given the challenging national economic outlook. The employee compensation cost increase of 3.5 percent for the first quarter was at the high end of our annual estimated growth of 2 to 4 percent. Newsprint price increases were announced and implemented during the first quarter. Further increases are expected in the second half of the year. If newsprint prices remain at their current level for the remainder of the second quarter, the effective price will be approximately 7.5 percent lower than the second quarter last year.

During the second quarter we anticipate completing the physical move of most of the Canstar Community News division operation to the Winnipeg Free Press facility. Previously vacant ground floor space at the Free Press location is undergoing renovations to accommodate the additional staff.

While we have not yet announced the hiring of a new Chief Financial Officer, work on this front is continuing. During the interim Dan Koshowski our Vice President of Finance and Administration is filling this role.

Ronald N. Stern
Chairman & Trustee

May 6, 2008

Management's Discussion and Analysis

Overview

Management's Discussion and Analysis is as at May 6, 2008 and provides a review of significant developments that have affected the Fund's performance in the three months ended March 31, 2008. This review is based on financial information contained in the consolidated interim 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 most recent audited consolidated financial statements and accompanying notes for the year ended December 31, 2007. The consolidated 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. On July 13, 2004, FPLP acquired five weekly newspapers in the Winnipeg area, as well as delivery businesses in Winnipeg, Brandon and Thunder Bay and operates them under its wholly owned subsidiary Canstar Community News Limited ("Canstar"). In January 2006, the Canstar Brandon distribution operation was amalgamated within the Brandon Sun operations. On July 21, 2005 Canstar acquired the shares of Rosebud Publications Ltd., the publisher of a weekly entertainment newspaper and a twice-monthly newspaper aimed at age-50 plus readers, serving the Winnipeg area.

FP Newspapers Income Fund

The Fund is dependent on the operations of FPLP, its sole investment. The Fund's net earnings were $1,855,000 for the quarter ended March 31, 2008 compared to net earnings of $1,756,000 for the same period last year. Interest income on the 11.5% Subordinated notes issued by FPLP to the Fund was $1,671,000 for the three months ended March 31, 2008 compared to $1,687,000 in the same period last year. The Fund's equity interest from its Class A limited partner Units was $293,000 for the three months ended March 31, 2008 compared to $150,000 in the same period last year (see "FP Canadian Newspapers Limited Partnership – Results of Operations" below). For the three months ended March 31, 2008, the Fund recorded a future income tax expense of $47,000, which relates to the on-going requirement to calculate future income taxes resulting from the substantive enactment of Bill C-52 Budget Implementation Act 2007 in the second quarter of 2007. Operating expenses incurred by the Fund were $67,000 for the three months ending March 31, 2008 compared to $84,000 in the same period last year.

The Fund declared distributions to Unitholders of $2,226,000 or $0.323 per Unit for the quarter, which is unchanged from the same period last year. Cash provided by operating activities of the Fund was $2,253,000 for the quarter compared to $2,234,000 for the same period last year.

Distributable Cash Attributable to the Fund(2)

Cash available for distribution attributable to the Fund(2) was $2,260,000 or $0.327 per Unit for the quarter compared to $2,070,000 or $0.300 per Unit for the same period last year. The increase in cash available for distribution attributable to the Fund(2) is primarily due to higher EBITDA(1) in FPLP.

The Fund monitors the cumulative cash available for distribution attributable to the Fund(2) as a factor in determining whether to make an adjustment to the level of monthly distributions. The Fund believes it is prudent to pay out less than 100% of cumulative cash available for distribution attributable to the Fund(2).

Since commencement of the Fund on May 28, 2002 until March 31, 2008 distributable cash attributable to the Fund(2) totals $8.274 per Unit and during that period the Fund declared distributions to Unitholders of $7.433 per Unit. Because the Fund makes an allowance for maintenance capital spending which is estimated to be sufficient to maintain the productive capacity of the business, when calculating distributable cash attributable to the Fund(2), and because cumulative distributions declared are less than the cumulative distributable cash attributable to the Fund(2), the Fund believes there has been no economic "return of capital".

Standardized Distributable Cash

In July 2007 the Canadian Institute of Chartered Accountants published an interpretive release concerning recommendations for certain Management's Discussion and Analysis disclosures entitled Standardized Distributable Cash in Income Trusts and Other Flow-Through Entities: Guidance on Preparation and Disclosure. This Management's Discussion and Analysis has not been prepared in all material respects in accordance with the CICA guidance.

The Fund believes that the computation of Standardized Distributable Cash of FPLP would be misleading and not comparable to other similar entities, since the payment of interest on the FPLP Notes by FPLP to the Fund would be deducted in arriving at Standardized Distributable Cash. As described elsewhere in this quarterly report and in other public filings of the Fund, the Fund owns securities entitling it to 49% of the distributable cash of FPLP (determined in accordance with the agreement of limited partnership and related agreements), including distributions in the form of interest paid on the FPLP Notes. The CICA guidance does not allow adjustments to Standardized Distributable Cash to reflect the underlying rights of the different classes of Unitholders in the capital structure of FPLP, and would therefore be misleading in these circumstances.

The Fund believes that the computation of Standardized Distributable Cash of the Fund would be of little value and not comparable to other similar entities, since the financial statements of the Fund do not consolidate the operations of FPLP.

FP Canadian Newspapers Limited Partnership
Results of Operations

Revenue:

	Three Months Ended March 31,	
	2008	2007
	In thousands	
Advertising	$ 20,731	$ 20,503
Circulation	7,147	7,093
Commercial Printing	1,485	1,558
Promotions and Services	635	675
	$ 29,998	$ 29,829

Revenue for the three months ended March 31, 2008 was $30.0 million, an increase of $0.2 million or 0.6% compared to the same quarter last year. Advertising revenues increased by $0.2 million or 1.1% compared to the same period last year. FPLP's largest advertising revenue category, display advertising including colour, increased by $0.1 million or 0.7%, primarily due to an increased spending in the local and national automotive category, partially offset by lower employment advertising and reduced spending in the telecommunications category. Advertising revenue growth in the first quarter was expected to be negatively impacted by the Good Friday non-publishing day, which fell in the second quarter last year but was partially offset by an additional publishing day resulting from the February leap year. Flyer distribution revenues increased by $0.1 million or 2.9%, primarily due to increased rates. Circulation revenue increased by $0.1 million or 0.8%, due to rate increases implemented in the fourth quarter of 2007. Commercial printing revenue decreased by $0.1 million or 4.7%, primarily due to lower charges for newsprint usage and slightly lower volumes printed.

Operating expenses, excluding amortization:

	Three Months Ended March 31,	
	2008	2007
	In thousands	
Employee Compensation	$ 11,695	$ 11,303
Newsprint – Own Use	2,774	3,255
Newsprint - Commercial Printing	360	529
Delivery of Newspapers	4,608	4,521
Other	4,536	4,481
	$ 23,973	$ 24,089

Operating expenses, excluding amortization in the three months ended March 31, 2008 were $24.0 million, a decrease of $0.1 million or 0.5% compared to the first quarter last year. Employee compensation costs increased $0.4 million or 3.5% compared to the first quarter last year, primarily due to annual contracted rate increases and statutory holiday costs for both the Good Friday non-publishing day and the first annual provincial Louis Riel statutory holiday which falls on the third Monday in February. While the Winnipeg Free Press published a newspaper on this new statutory holiday, the decision on whether to publish on this statutory holiday next year will be made later this year. Newsprint expense for FPLP's own publications decreased by $0.5 million or 14.8%, of which approximately 93% is a result of lower newsprint prices and approximately 7% is a result of lower consumption. Delivery costs were $4.6 million for the quarter, a 1.9 percent increase from the $4.5 million in the same quarter last year primarily due to increased carrier costs due to contracted rate increases as well as additional costs associated with two additional statutory holidays.

EBITDA[(1)] for the three months ended March 31, 2008 was $6.0 million, compared to $5.7 million for the same period last year. EBITDA[(1)] margin was 20.1% for the three months ended March 31, 2008, compared to 19.2% in the same period last year.

Interest expense on the notes payable, the subordinated notes and capital lease obligations for the three months ended March 31, 2008 was $2.6 million, virtually unchanged from the same period last year.

Amortization of property, plant and equipment for the three months ended March 31, 2008 was $1.0 million virtually unchanged from the same period last year.

Income tax expense for the three months ended March 31, 2008 was $0.1 million, which represents future taxes payable by Canstar Community News Limited.

FPLP's net earnings were $2.3 million for the three months ended March 31, 2008 compared to $2.1 million for the same period last year.

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 2006, 2007 and the first quarter of 2008 was as follows:

	2008	2007	2006
		In thousands	
Revenue			
Quarter 1	$ 29,998	$ 29,829	$ 28,582
Quarter 2		32,224	31,261
Quarter 3		30,507	29,804
Quarter 4		33,302	32,573
		$125,862	$122,220
EBITDA[(1)]			
Quarter 1	$ 6,025	$ 5,740	$ 4,746
Quarter 2		7,611	7,196
Quarter 3		6,571	5,853
Quarter 4		8,595	7,672
		$ 28,517	$ 25,467
Net earnings			
Quarter 1	$ 2,338	$ 2,062	$ 1,038
Quarter 2		3,925	3,492
Quarter 3		2,809	827
Quarter 4		4,622	3,649
		$ 13,418	$ 9,006

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

Working Capital Position of FPLP

Total working capital at March 31, 2008 was $9.7 million, up from $4.7 million at March 31, 2007. The increase in working capital is primarily due to cash flow from operating activities exceeding cash used for capital expenditures and distributions to partners and the resulting increase in the cash balance.

Liquidity and Capital Resources of FPLP

Cash and cash equivalents at March 31, 2008 was $10.6 million compared to $4.4 million at March 31, 2007. 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 $4.0 million during the first quarter, while $0.2 million was used for investing activities and $3.1 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 March 31, 2008, cash generated from operating activities was $4.0 million, compared to $4.2 million for the same period last year. The net change in non-cash working capital in the three months ended March 31, 2008 was $0.4 million compared to $1.0 million for the same period last year. The net change in non-cash working capital for the three month period is primarily the result of the timing of receipts from customers and payments to suppliers.

Investing Activities

Total capital purchases, which were all for maintenance capital projects, totalled $0.2 million for the three months ended March 31, 2008, compared to $0.5 million in the same period in the prior year. Maintenance capital spending during the first quarter of 2008 consisted of on-going upgrades to the Winnipeg Free Press editorial production system in addition to other primarily technology related items. In 2008, our full year maintenance capital spending is expected to be approximately $1.8 million.

There was no strategic capital spending for the three months ending March 31, 2008, which is consistent with the prior year. Two strategic capital investments are being made starting in the second quarter. Renovations estimated to cost approximately $0.3 million will be made to the Winnipeg Free Press building to accommodate the majority of the Canstar Community News employees and an investment of $0.2 million is being made to automate a portion of the Winnipeg Free Press mailroom equipment.

Financing Activities

Distributions to partners of FPLP for the three months ended March 31, 2008 totalled $3.1 million, of which $0.6 million was paid to the Fund as holder of Class A limited partner Units. This is compared to $3.0 million in the same period last year, of which $0.6 million was paid to the Fund as holder of Class A limited partner Units. The distributions to partners have been determined in accordance with the Amended and Restated Agreement of Limited Partnership dated May 3, 2005.

Contractual Obligations

There have been no significant changes in contractual obligations since the year ended December 31, 2007.

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 months ended March 31, 2008 and 2007 is as follows:

	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007
	In thousands	
Reserve at beginning of period	$ 348	$ 370
Increase in reserve	266	-
Decrease in reserve	-	(23)
Reserve at end of period	$ 614	$ 347

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

The use of a reserve for maintenance capital in calculating distributable cash attributable to the Fund[2] is intended to provide an allowance for estimated annual capital expenditures required to maintain the productive capacity of the business. The level of the annual allowance for maintenance capital is reviewed periodically based on historical spending levels and future plans, and adjusted based on reasonable and supportable assumptions. Actual future capital expenditures necessary to maintain the current productive capacity of the business may vary, perhaps materially, from the allowance used in determining distributable cash[2], due to technological change, unexpected equipment failure, changes in customer service expectations and other reasons.

This reserve is a 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.

Productive Capacity Maintenance Strategy

The key sources of revenue of FPLP are dependent upon our ability to sell and publish display and classified advertising lineage, both in our newspapers and on our websites, our ability to distribute advertising flyers, and our ability to produce and distribute newspapers. The key capital assets used in these activities are premises, computer hardware and software, printing presses and distribution related machinery. The available capital assets are used by our staff to deliver the products and services which results in revenue to FPLP.

It is the complex interaction of asset utilization, staffing levels and contracted services which ultimately determine our productive capacity on any given day, but there is no single measure which would accurately portray the productive capacity of the business. Generally speaking, we manage the business to ensure there is excess capacity available that would allow us to comfortably increase the volume of lineage, circulation and flyer distribution to take advantage of market opportunities.

Therefore, the strategy of FPLP is to maintain a reasonable level of excess productive capacity to at least ensure we are able to produce and distribute products and services at the current peak volumes. This is accomplished by conducting capital and non-capital preventive maintenance programs for machinery and equipment, performing repairs when necessary, evaluating new technologies as they become available, and investing in new technologies when appropriate.

Debt Management Strategy

The strategy of FPLP is to refinance the $60 million core long-term debt prior to the June 5, 2010 maturity date, on a non-amortizing basis. The capital assets with the most significant estimated replacement costs are buildings and printing presses, which have very long expected remaining useful lives. If the EBITDA[1] of FPLP continues to grow, it is likely that the future borrowing capacity of FPLP will also grow, thereby reducing the risk of refinancing the core debt at maturity.

Debt Covenants

Under the terms of the $60 million Series A Senior Secured Notes and the $10 million credit facility (undrawn at March 31, 2008), FPLP is subject to various positive and negative covenants which must be maintained in order to avoid an accelerated termination of the agreements. These covenants include certain restrictions on the incurrence of additional debt, requirements to maintain insurance, certain restrictions on the sale of assets, and other requirements and restrictions common to lending agreements of this nature. FPLP is restricted from making distributions which cumulatively exceed by more than $1.4 million the total of distributable cash of FPLP[2] since May 28, 2002. FPLP is required to maintain a ratio of net debt to EBITDA[1] of no greater than 3.5 to 1.0, and a ratio of EBITDA[1] to net external interest expense of no less than 3.0 to 1.0, measured quarterly on a trailing twelve month basis. Financial amounts used in the calculations are specifically defined in the debt agreements, but are substantially equal to the corresponding terms used in the external financial reports filed by FPLP and the Fund, where applicable, except that the maximum cash balance allowable for the calculation of net debt under the debt agreements is $5.0 million. At March 31, 2008 FPLP was in compliance with all the terms and conditions of its debt agreements. The financial ratios calculated in accordance with the debt agreements for the five most recent twelve-month periods are as follows:

	Net Debt/EBITDA[1]	EBITDA[1] /Net Interest
March 31, 2008	1.90	9.89
December 31, 2007	1.92	9.59
September 30, 2007	1.99	9.13
June 30, 2007	2.06	8.75
March 31, 2007	2.12	8.51

Related Party Transactions

FPLP purchases a portion of its newsprint from Alberta Newsprint Company ("ANC"), a related party as disclosed under the related party transaction section of FPLP's Annual Management Discussion and Analysis at December 31, 2007. There have been no changes during the first quarter of 2008 to the process for selection of newsprint suppliers and the quarterly review by the Audit Committee of newsprint purchases. Total newsprint purchases from ANC for the three months ended March 31, 2008 and 2007 was $2,302,000 and $1,406,000.

Internal Controls over Financial Reporting

There have been no significant changes in internal controls over financial reporting since the year ended December 31, 2007, that have materially affected, or are reasonably likely to materially affect, the Fund's or FPLP's internal controls over financial reporting.

Critical Accounting Estimates

There have been no significant changes in our critical accounting estimates since the year ended December 31, 2007.

Initial Adoption of New Accounting Pronouncements

Effective January 1, 2008, the Fund and FPLP prospectively adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1535 Capital Disclosures, Section 3862 Financial Instruments – Disclosures and Section 3863 Financial Instruments – Presentation. The adoption of the Capital Disclosure standard resulted in additional disclosure requirements in presenting management's policies and processes, both qualitatively and quantitatively, in defining and managing its capital, as further discussed in note 4 of the Funds interim financial statements and note 5 of FPLP's interim consolidated financial statements. The adoption of the Financial Instrument – Disclosures and Financial Instruments – Presentation sections enhance the existing disclosures for financial instruments. In particular, section 3862 focuses on the identification of risk exposures and FPLP's approach to management of these risks, as further discussed in note 6 of FPLP's interim consolidated financial statements. The comparative interim consolidated financial statements have not been restated.

There was no financial impact to the financial statements as a result of the adopting these new standards.

Historical Distributions Paid Analysis

FPLP:	Three Months ended March 31, 2008	Twelve Months ended December 31, 2007	Twelve Months ended December 31, 2006
		In thousands	
Cash provided by operating activities	$ 3,994	$ 20,641	$ 15,387
Net earnings	2,338	13,418	9,006
Distributions paid during the period	3,050	12,143	11,527
Excess of cash provided by operating activities over cash distributions paid	$ 944	$ 8,498	$ 3,860
Excess (short-fall) of net earnings over cash distributions paid	$ (712)	$ 1,275	$ (2,521)

Cash distributions paid in two of the three periods exceeded net earnings. FPLP does not use net earnings as a basis in determining the level of distributions to Class A and Class B Unitholders. Distributions are determined in accordance with the agreement of limited partnership. Because amortization charged as an expense in calculating net income, in accordance with GAAP, has exceeded capital expenditures charged as a reduction of distributable cash in all periods, this result is not unexpected.

FP Fund:	Three Months ended March 31, 2008	Twelve Months ended December 31, 2007	Twelve Months ended December 31, 2006
		In thousands	
Cash provided by operating activities	$ 2,253	$ 9,051	$ 8,951
Net earnings	1,855	7,968	7,677
Distributions paid during the period	2,226	8,904	8,904
Excess of cash provided by operating activities over cash distributions paid	$ 27	$ 147	$ 47
Short-fall of net earnings over cash distributions paid	$ (371)	$ (936)	$ (1,227)

Cash distributions paid in all periods exceeded net earnings. The Fund does not use net earnings as a basis in determining the level of distributions to Unitholders. Distributions are determined by the Trustees in accordance with Deed of Trust of the Fund and are primarily dependant upon the amount of interest and distributions received from FPLP. Because amortization charged as an expense in calculating net earnings of FPLP, in accordance with GAAP, has exceeded capital expenditures charged as a reduction of distributable cash of FPLP in all periods, this result is not unexpected. Cash provided by operating activites exceeded distributions in all periods.

Business Risks and Uncertainties

Revenue

Advertising revenue, which accounts for approximately 69% of total revenue, is historically dependent upon general economic conditions and the specific spending plans of high volume advertisers. A significant downturn in the national or regional economy would likely decrease advertising revenue earned by our newspapers. Similarly, a change in promotional strategy by significant users of newspaper advertising, such as the automotive industry, financial services industry and national retailers, could reduce 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. Collective agreements are in place with unionized employees at the Winnipeg Free Press and Canstar Community News Limited office employees which expire on September 30, 2008 and collective agreements covering unionized employees at the Brandon Sun expire December 31, 2008. Talks continue on the renewal of the collective agreement covering unionized delivery contractors at Canstar Community News Limited, which expired on April 20, 2007.

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 $3.1 million during the first quarter of 2008. 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 are 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 that of other issuers and, accordingly, EBITDA may not be comparable to measures used by other issuers. FPLP determines EBITDA as follows:

	Three Months Ended March 31, 2008	2007
	In thousands	
Net earnings for the period	$ 2,338	$ 2,062
Add (subtract):		
Amortization of property, plant and equipment	1,005	1,002
Amortization of intangible assets	90	90
Interest expense	2,607	2,616
Interest income	(93)	(35)
Gain on sale of property, plant and equipment	-	(17)
Current income tax expense	10	22
Future income tax expense	68	-
EBITDA	$ 6,025	$ 5,740

(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 because 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 are cautioned that distributable cash as calculated by the fund may not be comparable to similar measures presented by other issuers. The Fund uses this measure as a factor to determine whether to adjust the monthly distributions to Unitholders. Management has determined distributable cash attributable to the Fund as follows:

	Three Months Ended March 31, 2008	2007
Distributable cash of FPLP:	In thousands	
EBITDA(1)	$ 6,025	$ 5,740
Interest income	93	35
Interest expense on Notes payable and capital leases, excluding amortization of related deferred financing costs	(797)	(800)
Principal repayment of capital leases	(73)	(95)
Maintenance capital expenditures	(234)	(523)
(Increase) decrease in reserve for future maintenance capital	(266)	23
Proceeds from sale of property, plant and equipment	-	31
Current income and capital taxes expense	(10)	(22)
	$ 4,738	$ 4,389
49% attributable to the Fund	$ 2,322	$ 2,151
Administration expenses	(67)	(84)
Interest income	5	3
Distributable cash attributable to the Fund	$ 2,260	$ 2,070
Distributable cash attributable to the Fund – per Unit	$ 0.327	$ 0.300

A summary of distributable cash and distributions declared for the trailing twelve months to March 31, 2008 and for the period from commencement of the Fund on May 28, 2002 to March 31, 2008 is as follows:

Distributable Cash of FPLP:

	Last Twelve Months	Since May 28, 2002
	In thousands	
EBITDA[1]	$ 28,802	$ 145,754
Interest income	282	642
Interest expense on Notes payable and capital leases, excluding amortization of related deferred financing costs	(3,194)	(18,287)
Principal repayment of capital leases	(296)	(1,012)
Maintenance capital expenditures	(1,733)	(6,727)
Increase in reserve for future maintenance capital expenditures	(267)	(614)
Strategic capital expenditures	-	(650)
Increase in reserve for strategic capital, acquisitions, and/or debt reduction	-	(353)
Proceeds on disposal of property, plant and equipment	2	1,103
Current income and capital tax expense	(26)	(172)
Distributable cash of FPLP	$ 23,570	$ 119,684

Distributable Cash Attributable to the Fund:

	Last Twelve Months	Since May 28, 2002
	In thousands	
49% of FPLP distributable cash	$ 11,549	$ 58,645
Administration expenses	(272)	(1,574)
Interest income	13	39
Distributable cash attributable to the Fund	$ 11,290	$ 57,110
Distributable cash attributable to the Fund per Unit	$1.636	$8.274
Distributions declared by the Fund per Unit	$1.290	$7.433
Payout Ratio	78.9%	89.8%

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

	Three Months Ended March 31, 2008	2007
	In thousands	
Cash flow from operating activities of FPLP	$ 3,994	$ 4,226
Add (subtract):		
Interest on Subordinated notes (*)	1,671	1,687
Net change in non-cash working capital items (**)	(354)	(960)
Maintenance capital expenditures	(234)	(523)
(Increase) decrease in reserve for future maintenance capital(***)	(266)	23
Principal repayment of capital leases	(73)	(95)
Proceeds from sale of property, plant and equipment (****)	-	31
Distributable cash of FPLP	$ 4,738	$ 4,389

This reconciliation is provided by the Fund in order to comply with the guidance of the Canadian Securities Administrators National Policy 41-201. The Fund does not use this information for any purpose other than compliance.

(*) 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.

(***) Increase in the reserve for future capital is shown as a deduction in determining distributable cash. A decrease in the reserve is shown as an increase in the determination of distributable cash. This reserve is a non-GAAP measure established and utilized at the discretion of the board of directors of FPLP, and has no impact on the GAAP financial statements.

(****) 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 March 31, 2008	As at December 31, 2007
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 385	$ 358
Interest receivable from subordinated notes	569	571
Due from FPCN Media Funding Inc.	26	26
Prepaid expenses	18	13
	998	968
Investment in FPCN General Partner Inc.	30	30
Investment in FP Canadian Newspapers Limited Partnership (note 2)	61,043	61,386
	$ 62,071	$ 62,384
LIABILITIES AND UNITHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 138	$ 127
Distribution payable (note 3)	742	742
	880	869
Long-Term Liabilities:		
Future income taxes	1,729	1,682
	2,609	2,551
Unitholders' Equity:		
Trust Units	69,026	69,026
Cumulative earnings	41,735	39,880
Cumulative distributions	(51,299)	(49,073)
	59,462	59,833
	$ 62,071	$ 62,384

(See accompanying notes)

FP Newspapers Income Fund
Consolidated Statements of Earnings, Comprehensive Income and Cumulative Earnings
(unaudited, in thousands of Canadian dollars except per Unit amounts)

	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007
Earnings from investment in FP Canadian Newspapers Limited Partnership		
Interest from subordinated notes	$ 1,671	$ 1,687
Equity interest from Class A limited partner Units (note 2)	293	150
Other interest	5	3
	1,969	1,840
Administration expenses	(67)	(84)
Earnings before income taxes	1,902	1,756
Future income tax expense	(47)	-
Net earnings and Comprehensive income for the period	$ 1,855	$ 1,756
Cumulative earnings, beginning of period	39,880	31,632
Transitional amount	-	280
Adjusted cumulative earnings, beginning of period	39,880	31,912
Cumulative earnings, end of period	$ 41,735	$ 33,668
Number of trust Units outstanding	6,902,592	6,902,592
Net earnings per trust Unit	$ 0.269	$ 0.254

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

	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007
Balance – beginning of period	$ 59,833	$ 60,489
Transitional amount	-	280
Adjusted balance – beginning of period	59,833	60,769
Net earnings for the period	1,855	1,756
Distributions to Unitholders	(2,226)	(2,226)
Balance – end of period	$ 59,462	$ 60,299

(See accompanying notes)

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

	Three Months Ended March 31, 2008	2007
Cash provided by (used in):		
Operating activities:		
Net earnings for the period	$ 1,855	$ 1,756
Items not affecting cash:		
Equity interest from Class A Units of FP Canadian Newspapers Limited Partnership (note 2)	(293)	(150)
Future income tax expense	47	-
Distributions received on Class A Units of FP Canadian Newspapers Limited Partnership (note 2)	636	578
Net change in non-cash working capital items	8	50
	2,253	2,234
Financing activities:		
Distributions to Unitholders	(2,226)	(2,226)
Increase in cash and cash equivalents	27	8
Cash and cash equivalents – beginning of period	358	221
Cash and cash equivalents – end of period	$ 385	$ 229

(See accompanying notes)

(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 interim financial 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, 2007, except as described below. 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, 2007.

FPLP's revenues are seasonal. As FPLP is the Fund's sole investment, the Fund's equity interest is seasonal as well. The Fund's equity interest from Class A limited partner Units is highest in the second and fourth quarters.

2. Investment in FP Canadian Newspapers Limited Partnership

On May 28, 2002, FPCN Holdings Trust subscribed for 6,573,897 Class A limited partner 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 partner Units of FPLP and $3,283,500 principal amount of subordinated notes of FPLP. FPCN Holdings Trust holds all of the Class A limited partner 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.

Future repayments of the subordinated notes will be applied as a contribution to the Class A limited partner Units of FPLP.

The investment in FPLP is summarized as follows:

	Subordinated notes	Class A limited partner Units	Total
Balance at December 31, 2007	$ 58,454	$ 2,932	$ 61,386
Equity interest in the period	-	293	293
Distributions received	-	(636)	(636)
Balance at March 31, 2008	$ 58,454	$ 2,589	$ 61,043

The change in equity interest for the three months ended March 31, 2008 and 2007 from the Fund's investment in Class A limited partner Units of FPLP is calculated as follows:

	Three Months Ended March 31, 2008	2007
Net earnings of FPLP	$ 2,338	$ 2,062
Plus: Interest on subordinated notes	1,671	1,687
Net earnings before interest on subordinated notes	$ 4,009	$ 3,749
49% interest attributable to the Fund	1,964	1,837
Less: Interest from subordinated notes	(1,671)	(1,687)
Equity interest from Class A limited partner Units	$ 293	$ 150

3. Distribution payable

The Fund recorded a distribution payable at March 31, 2008 of $0.1075 per Unit. The distribution was paid April 29, 2008 to Unitholders of record on March 31, 2008 and is in respect of the month of March 2008.

4. Capital management

On January 1, 2008, the Fund adopted CICA Handbook section 1535 Capital Disclosures. This section establishes disclosure requirements for management's policies and processes in defining and managing its capital. There was no financial impact to previously reported financial statements as a result of the implementation of this new standard.

The Fund was established as a limited purpose trust for the sole purpose of investing the proceeds of the initial public offering to purchase securities of FPLP which entitle it to 49% of the distributable cash, as defined in the partner agreement of FPLP. While the Fund does not have a capital management program given its limited purpose, the FPLP's capital management objectives are disclosed in note 5 of its financial statements.

As a result of the Canadian trust taxation passed in June 2007 and effective January 1, 2011, the Fund is subject to certain capital growth restrictions referred to as "normal growth" equity rules. These rules limit the amount of Unitholder's capital that can be issued by the Fund in each of the next three years, based on the fund's market capitalization on October 31, 2006 as follows:

($millions)	Annual	Cumulative
Normal growth capital allowed in:		
2008	$ 50.0	$ 43.5
2009	50.0	58.0
2010	50.0	72.5

If the maximum equity growth capital allowed is exceeded, the Trust may be subject to trust taxation prior to 2011.

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

	As at March 31, 2008	As at December 31, 2007
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 10,557	$ 9,920
Accounts receivable	10,913	11,740
Inventories	1,357	1,123
Prepaid expenses	987	823
Future income taxes	114	182
	23,928	23,788
Property, plant and equipment	49,863	50,634
Intangible assets	8,013	8,103
Goodwill	71,160	71,160
	$ 152,964	$ 153,685
LIABILITIES AND UNITHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 10,832	$ 11,017
Income taxes payable	26	21
Prepaid subscriptions and deferred revenue	3,272	3,167
Current obligations under capital leases	124	197
	14,254	14,402
Long-Term Liabilities:		
Notes payable	59,654	59,617
Subordinated notes	56,171	56,069
	115,825	115,686
	130,079	130,088
Unitholders' Equity:		
Partner Units	41,293	41,293
Cumulative earnings	55,455	53,117
Cumulative distributions	(73,863)	(70,813)
	22,885	23,597
	$ 152,964	$ 153,685

(See accompanying notes)

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

	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007
Revenue	$ 29,998	$ 29,829
Operating expenses, excluding amortization	(23,973)	(24,089)
	6,025	5,740
Amortization of property, plant and equipment	(1,005)	(1,002)
Amortization of intangible assets	(90)	(90)
Earnings before the under noted	4,930	4,648
Interest expense (note 4)	(2,607)	(2,616)
Interest income	93	35
Gain on sale of property, plant and equipment	-	17
Earnings before income taxes	2,416	2,084
Income tax expense:		
- Current	(10)	(22)
- Future	(68)	-
Net earnings and comprehensive income for the period	2,338	2,062
Cumulative earnings – beginning of period	53,117	39,128
Transitional amount	-	571
Adjusted cumulative earnings – beginning of period	53,117	39,699
Cumulative earnings – end of period	$ 55,455	$ 41,761

(See accompanying notes)

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

	General partner Units	Class A limited partner Units	Total
Unitholders' equity – December 31, 2006	$ 13,348	$ 7,353	$ 20,701
Transitional amount	508	63	571
Adjusted Unitholders' equity – January 1, 2007	$ 13,856	$ 7,416	$ 21,272
Net earnings for the period	1,661	401	2,062
Distributions paid	(2,392)	(578)	(2,970)
Unitholders' equity – March 31, 2007	$ 13,125	$ 7,239	$ 20,364
Net earnings for the period	3,134	791	3,925
Distributions paid	(2,445)	(624)	(3,069)
Unitholders' equity – June 30, 2007	$ 13,814	$ 7,406	$ 21,220
Net earnings for the period	2,237	572	2,809
Distributions paid	(2,445)	(624)	(3,069)
Unitholders' equity – September 30, 2007	$ 13,606	$ 7,354	$ 20,960
Contributions	-	1,050	1,050
Net earnings for the period	3,686	936	4,622
Distributions paid	(2,418)	(617)	(3,035)
Unitholders' equity – December 31, 2007	$ 14,874	$ 8,723	$ 23,597
Net earnings for the period	1,850	488	2,338
Distributions paid	(2,414)	(636)	(3,050)
Unitholders' equity – March 31, 2008	$ 14,310	$ 8,575	$ 22,885

(See accompanying notes)

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

	Three Months Ended March 31, 2008	2007
Cash provided by (used in)		
Operating activities:		
Net earnings for the period	$ 2,338	$ 2,062
Items not affecting cash:		
Amortization of property, plant and equipment and intangible assets	1,095	1,092
Amortization of deferred financing costs (note 4)	139	129
Future income tax expense	68	-
Gain on disposal of property, plant and equipment	-	(17)
	3,640	3,266
Net change in non-cash working capital items	354	960
	3,994	4,226
Investing activities:		
Purchases of property, plant and equipment	(234)	(523)
Proceeds from sale of property, plant and equipment	-	31
	(234)	(492)
Financing activities:		
Distributions to partners	(3,050)	(2,970)
Principal repayment of capital leases	(73)	(95)
	(3,123)	(3,065)
Increase in cash and cash equivalents	637	669
Cash and cash equivalents - beginning of period	9,920	3,729
Cash and cash equivalents - end of period	$ 10,557	$ 4,398
Supplemental Cash Flow Information:		
Interest paid during the period	$ 2,467	$ 2,497
Taxes paid during the period	5	11

(See accompanying notes)

(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.

These interim consolidated financial statements include the accounts of FPLP and Canstar Community News Limited ("Canstar"). In addition, the FP Canadian Newspapers Limited Partnership Employee Benefits Plan Trust Fund ("Trust Fund") and FPCN Media Funding Inc. ("Funding") have been determined to be variable interest entities ("VIE"), which also have been consolidated. The managing general partner of FPLP is FPCN General Partner Inc. These consolidated interim financial statements include only the assets, liabilities, revenues and expenses of FPLP and its subsidiaries and do not include the other assets, liabilities, revenues and expenses, including income taxes, of the partners.

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 periods presented. However, these consolidated 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 consolidated interim financial statements are the same as those used in the most recent annual consolidated financial statements, except as described below. These interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements of FPLP for the year ended December 31, 2007.

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

2. 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.

3. Employee future benefit plans

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

	Three Months Ended March 31,	
	2008	2007
Defined benefit pension plan	$ 347	$ 367

4. Interest expense

Interest expense is summarized as follows:

	Three Months Ended March 31,	
	2008	2007
Subordinated notes	$ 1,671	$ 1,687
Amortization of subordinated notes deferred financing costs	102	93
Notes payable	794	794
Amortization of notes payable deferred financing costs	37	36
Capital lease obligations	3	6
	$ 2,607	$ 2,616

5. Capital management

On January 1, 2008, FPLP adopted CICA Handbook section 1535 Capital Disclosures. This section establishes disclosure requirements for management's policies and processes in defining and managing its capital. There was no financial impact to previously reported financial statements as a result of the implementation of this new standard.

FPLP's objective for managing the capital structure is to take advantage of leverage with the prudent use of debt, while maintaining flexibility through additional borrowing capacity. There are no set quantitative targets established for monitoring the capital structure. Management continuously monitors capital markets in the context of the general economic environment, FPLP's financial position and outlook, and strategic development plans. FPLP's can alter the mix within the capital structure by repaying debt, increasing debt, adjusting distributions to partners or raising additional equity capital.

FPLP's capital consists of cash and cash equivalents, debt and Unitholders' equity. The components at March 31 2008 and December 31, 2007 were as follows:

	As at March 31, 2008	As at December 31, 2007
Notes payable	$ 59,654	$ 59,617
Capital leases	124	197
Cash and cash equivalents	(10,499)	(9,920)
External net debt	49,279	49,894
Subordinated notes	56,171	56,069
Unitholders' equity	22,898	23,597
Total capitalization	$ 128,348	$ 129,560
External net debt as a percentage of total capitalization	38.4%	38.5%

The notes payable and the $10 million credit facility (undrawn at March 31, 2008) include negative covenants which must be maintained in order to avoid an accelerated termination of the agreement. These covenants include certain restrictions on the incurrence of additional debt, requirements to maintain insurance, certain restrictions on the sale of assets and other requirements and restrictions common to lending agreements of this nature. FPLP is restricted from making distributions which cumulatively exceed by more than $1.4 million the total of distributable cash as defined in these agreements. FPLP is required to maintain a ratio of net debt to earnings, as defined in the agreements, of no greater than 3.5 to 1.0 and a net external interest expense of no less than 3.0 to 1.0 measured quarterly on a trailing 12-month basis. At March 31, 2008, FPLP was in compliance with all the terms and conditions of its debt agreements. The financial ratios calculated in accordance with the debt agreements for the trailing 12-month periods ending March 31, 2008 and December 31, 2007 are as follows:

	Net Debt / Earnings as defined under agreement	Earnings as defined under agreement / Net interest
March 31, 2008	1.90	9.89
December 31, 2007	1.92	9.59

6. Financial instrument risk management

On January 1, 2008, FPFP adopted CICA Handbook sections 3862 Financial Instruments – Disclosures and 3863 Financial Instruments – Presentation, which enhances existing disclosures for financial instruments. In particular, section 3862 focuses on the identification of risk exposures and FPLP's approach to management of these risks. There was no financial impact to previously reported financial statements as a result of the implementation of these new standards.

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

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

Credit Risk

Credit risk is the risk a customer will fail to perform an obligation or fail to pay amounts due causing a financial loss. As FPLP is in the business of publishing newspapers and performing printing services for third parties, included in the accounts receivable are amounts owed from advertisers, circulation customers and commercial print clients. FPLP does not hold collateral as security for these balances. The maximum exposure to credit risk is the carrying value of the financial assets.
FPLP's credit risk relating to these accounts receivable is spread over a large number of national and local advertising clients, in addition to many circulation retail customers and third party printing clients. Generally, no single advertising or circulation customer accounts for more than approximately 3.5% of the total accounts receivable at any given point in time. FPLP manages credit risk on a customer by customer basis and establishes a reasonable allowance for non collectible amounts with this allowance netted against the accounts receivable on the balance sheet. While the adequacy of the allowance is reviewed on a regular basis, generally the allowance level will cover all accounts receivable that are greater than ninety days past due.

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

	As at March 31, 2008
Accounts receivable:	
Current	$ 7,940
Up to three months past due	3,163
Greater than three months past due	224
	11,327
Allowance for doubtful accounts	(414)
	$ 10,913

There are no impaired financial assets as at March 31, 2008.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As FPLP currently has no variable interest long term debt and has not drawn against its operating line, there is no interest rate risk. The current fixed rate debt facility is scheduled to mature on June 5, 2010 and FPLP's intention is to negotiate the refinancing of this debt and at that time the interest rate and the other terms could be more or less favourable than the existing terms.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. FPLP believes that it has access to sufficient capital through internally generated cashflows and external sources (bank credit markets and debt capital markets), and undrawn committed borrowing facilities to meet current spending forecasts. Trade payables are due within one year and notes payable are due June 5, 2010. Future repayments of the subordinated notes will be applied as a contribution to the Class A limited partner Units.

Caution Regarding Forward-Looking Statements:
Certain statements in this management's discussion and analysis may constitute forward-looking statements within the meaning of applicable securities laws. Generally, but not always, forward-looking statements will be indicated by words such as "may", "will", "intend", "anticipate", "expect", "believe", "plan" or similar terminology.

Forward-looking statements include statements regarding management's intent, belief or current expectations with respect to market and general economic conditions, future costs and operating performance. They are subject to known and unknown risks and uncertainties that may cause the actual results, performance or achievements of the Fund or FPLP, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

A number of factors may cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, FPLP's ability to effectively manage growth and maintain its profitability, FPLP's ability to operate in a highly competitive industry, FPLP's ability to compete with other forms of media, FPLP's ability to attract advertisers, FPLP's reliance upon key personnel, FPLP's dependence upon particular advertising customer segments, indebtedness incurred in making acquisitions, costs related to capital expenditures, cyclical and seasonal variations in FPLP's revenues, acts of terrorism, the cost of newsprint, the potential for labour disruptions, and the effect of Canadian tax laws. Additional information about these and other factors is discussed under "Risk Factors" in our Annual Information Form dated March 11, 2008.

In addition, although the forward-looking statements contained in this management's discussion and analysis are based upon what management of FPLP believes are reasonable assumptions that the Canadian and Manitoba economies will expand at a moderate pace in 2008 and that inflation will remain relatively low, such assumptions may prove to be incorrect, and actual results may differ materially from management's expectations.

Forward-looking statements speak only as of the date hereof and, except as required by law, the Fund and FPLP assume no obligation to update or revise them to reflect new events or circumstances.

Investor Relations:
Dan Koshowski
Vice President, Finance and Administration
Phone: (204) 697-7425
Website: www.fpnewspapers.com

Listing:
The Units of FP Newspapers Income Fund are traded on the Toronto Stock Exchange under the symbol FP.UN

Transfer Agent:
CIBC Mellon Trust Company

Auditors:
Ernst & Young LLP, Winnipeg