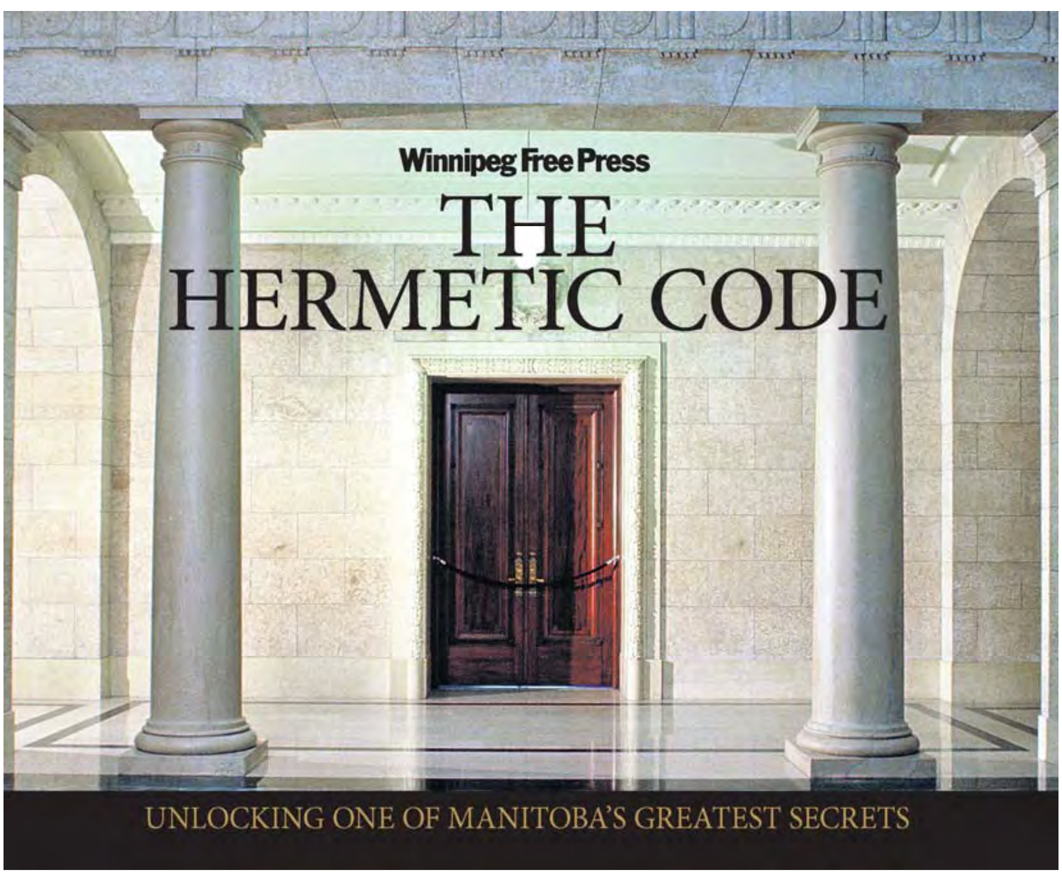
NEWSPAPERS fp INCOME FUND



Q2 – 2009
Quarterly Report
June 30, 2009

TSX: FP.UN

Second Quarter Report
June 30, 2009
Report to Unitholders

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 June 30, 2009. 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 six 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 June 30, 2009 was $29.7 million, a $2.7 million or 8.4 percent decrease over the same period last year. The decline in revenue for the quarter was primarily due to reduced advertising revenues resulting from the current economic slowdown. Total EBITDA(1) of FPLP for the quarter was $6.6 million, a $0.9 million or 11.9 percent decrease from the same quarter last year. The reduction in EBITDA(1) was primarily due to the decrease in revenues, partially offset by lower expenses which included a $0.2 million restructuring charge for voluntary and involuntary employee and independent contractor reductions at the Winnipeg Free Press and Canstar Community News Limited. FPLP had net earnings of $2.8 million in the quarter compared to net earnings of $3.7 million in the same quarter last year.

The Fund had net earnings of $2.2 million, or $0.315 per Unit, during the three months ended June 30, 2009, compared to net earnings of $2.5 million, or $0.365 per Unit, in the same quarter last year. The decrease in the Fund's net earnings in the quarter is primarily due to the decrease in the net earnings of FPLP.

Operations

Advertising revenue in the second quarter was $20.0 million, a $2.6 million or 11.6 percent decrease over the same quarter last year. FPLP's largest advertising revenue category, display advertising including colour, was $12.1 million, a decrease of $1.2 million or 9.1 percent compared to the same period last year, primarily due to decreased spending in the local and national automotive and employment categories. Classified advertising revenues in the second quarter decreased by $1.2 million or 24.1 percent compared to the same period last year, primarily due to a decrease in the employment, real estate and automotive categories. Flyer distribution revenues in the second quarter decreased by $0.2 million or 4.1 percent compared to the same period last year, due to decreased volumes. Circulation revenues in the second quarter increased by $0.2 million or 2.9 percent, due to rate increases implemented in March 2009 at the Winnipeg Free Press. Commercial printing revenues in the second quarter decreased by $0.4 million or 22.3 percent compared to the same period last year, primarily due to the cancellation of the National Post Winnipeg printing contract. Promotions and Services revenues in the second quarter remained virtually unchanged when compared to the same period last year due to an 18.2 percent increase in online revenues being offset by a decrease in production supplies recycling revenue.

Operating expenses, excluding amortization, in the three months ended June 30, 2009 were $23.1 million, a $1.8 million or 7.3 percent decrease from $24.9 million in the same quarter last year. Operating expenses in the quarter, excluding amortization and the restructuring charge, were $22.9 million, a decrease of $2.0 million or 8.1 percent from the same period in the prior year. Employee compensation costs, excluding the restructuring charge, in the quarter decreased by $1.0 million or 8.9 percent, primarily due to lower costs resulting from employee reductions as well as lower part-time, overtime, long-term incentive and management bonus plan costs. Newsprint expense for FPLP's own publications in the quarter decreased by $0.6 million or 18.7 percent as a result of lower consumption due to reduced advertising and circulation subscriptions. Newsprint expense for commercial printing in the quarter decreased by $0.1 million or 25.0 percent primarily due to lower consumption as a result of the loss of the National Post printing contract. Delivery costs increased by $0.2 million or 3.7 percent as rates increased due to the collective agreement, as well as increased trucking costs. Other expenses decreased by $0.5 million or 9.7 percent primarily due to lower rental costs associated with the Canstar move into the Winnipeg Free Press building, as well as slightly lower production costs.

During the second quarter, the Winnipeg Free Press was selected as the winner of the prestigious 2009 Excellence in Journalism Award from the Canadian Journalism Foundation. This national award is given annually to a news organization for overall extraordinary performance. The Free Press is the first newspaper west of Ontario to earn this honour. The Free Press submission included the country's first paid-circulation Pink Paper, its investigative series into the province's puppy mill industry, its court challenges, charitable campaigns, and other facets of the paper such as its local arts coverage, independent Ottawa bureau, the contest to find the Greatest Manitoban and the subsequent best-selling book. One of the selection judges called the submission “dazzling”.

In June, the Free Press received a citation of merit at Rideau Hall in Ottawa as one of six finalists for the prestigious 2008 Michener Award. The award, named after the former governor general Roland Michener, is given out based on the degree of public benefit generated by the print and broadcast entries submitted. The Free Press was nominated for its two-year investigation into Manitoba’s child-welfare system, sparked by the death of Phoenix Sinclair.

The Free Press has continued to expand its content reach. The newspaper published Bite-Sized Doug, a collection of columns by humourist Doug Speirs, which has spent several weeks at the top of the Manitoba best-seller list for non-fiction paperbacks. The paper printed a second edition of The Hermetic Code, a book on the Manitoba Legislature that has also been a best-seller. In April, the Free Press partnered with the Winnipeg Regional Health Authority to launch Wave, a magazine of health information that is distributed directly to Free Press subscribers and is widely available in Winnipeg hospitals and other health care institutions.

During the second quarter, we completed the rationalization of our non-Free Press delivery contractors and carriers. Since the acquisition of the Canstar Community Newspapers group in 2004, we operated two alternate delivery systems across the City of Winnipeg. The Canstar publications are now delivered by Winnipeg Free Press contract carriers to Free Press subscribers’ doors and by the alternate delivery force of the Winnipeg Free Press to non-subscribers. Flyer delivery to non-Free Press subscribers has been consolidated from three days a week to two. A buy-out package was negotiated for the unionized Canstar trucking agents impacted by this change.

At Canstar, our community and specialty publication group, we launched a new publication called The Sou’wester to help our publications be more reflective of their respective communities. We still deliver to the same number of doors, but we have changed the boundaries of our south Winnipeg publications to make us more relevant to the readers and advertisers in the specific communities encompassed by each publication. The goal is to have The Sou’wester develop a closer connection with the growing southwest area of Winnipeg. Initial response has been exciting. Other media outlets picked up on a “good news” story from the newspaper industry and helped give the new paper some good advance momentum. Since the June 4th launch of the new paper, readers of both The Sou’wester and The Lance (the other publication affected by the boundary change) have responded well. Several readers from both areas have volunteered to be Neighbourhood Forum columnists.

Initial discussion and due diligence work has commenced relating to the refinancing of our $60 million Series A 5.2 percent Senior Secured Notes, which are due on June 5, 2010. The well-publicized tightening of the credit markets which started last year will affect the negotiation of the terms of this refinancing.

At Brandon, the management team, together with members of the Free Press management team, continue to work on completing a submission for renewal of the contract to print the Globe and Mail for the Saskatchewan and Manitoba markets. We anticipate a printing proposal submission will be made to the Globe in the third quarter.

In the second quarter, the Brandon Sun reduced its page width from 24" to 22", which will result in newsprint savings for the balance of the year. Television listings products across the country have experienced fewer readers and dwindling advertising revenues over the past few years. In the second quarter, the Brandon Sun discontinued publication of its Select TV publication. Advertisers have been migrated to the core product. Much planning for new on-line products took place in the second quarter. A new main website and a real estate vertical site are planned to launch in the third quarter once testing is complete. An automotive vertical site is also in the planning stages. The Sun conducted a highly successful sales and marketing thrust that added 76 new clients to 12-month high-frequency small-space advertising campaigns. We are also pleased to announce that Jeff Hood, who is a Chartered Accountant, has joined the Brandon Sun and assumed the Controller’s position.

Distributions

Distributable cash attributable to the Fund(2) for the three months ended June 30, 2009 was $2.8 million, or $0.401 per Unit compared to $2.8 million or $0.403 per Unit last year. For the trailing twelve months ended June 30, 2009, FPLP has generated distributable cash attributable to the Fund(2) of $1.010 per Unit, and the Fund has declared distributions of $1.178 per Unit, resulting in a payout ratio of 116.6 percent.

The Fund declared distributions to Unitholders of $0.285 per Unit for the second quarter, compared to $0.323 per Unit for the same quarter last year.

Outlook

During the first two quarters, advertising revenues were impacted by the economic slowdown as reported above. While it is early in the third quarter, July's advertising revenue decline was steeper than was experienced during the first six months of 2009. The decrease in employee compensation costs, excluding the restructuring charge, of 8.9 percent for the second quarter was the result of the employee reductions from the restructuring plans completed in both the fourth quarter of 2008 and the first quarter of this year. We anticipate a roughly similar percentage reduction in compensation expenses for the third quarter of 2009. Newsprint price reductions which took effect in the first six months of 2009 are resulting in a 22 percent lower price at the start of the third quarter compared to last year. Future newsprint price increases will be implemented, but the timing and level are not yet known.

During the third quarter, Winnipeg and Brandon management and staff will continue to explore and implement changes to reduce operating costs in light of the revenue shortfalls anticipated.

Ronald N. Stern
Chairman & Trustee

August 11, 2009

Management's Discussion and Analysis

Overview

Management's Discussion and Analysis is as at August 11, 2009 and provides a review of significant developments that have affected the Fund's performance in the three months ended June 30, 2009. This review is based on financial information contained in the consolidated interim financial statements. Factors that could affect future operations are also discussed. As indicated above, 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, 2008. The consolidated interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") however, the consolidated interim financial statements do not include all the information and disclosures required for annual financial statements.

Further information relating to the Fund is available under its profile 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").

FP Newspapers Income Fund

The Fund is dependent on the operations of FPLP, its sole investment. The Fund's net earnings were $2,173,000 and $2,716,000 for the three and six months ended June 30, 2009 compared to net earnings of $2,520,000 and $4,375,000 for the same periods last year. The decrease for the three and six months ended June 30, 2009 is due to the decrease in the net earnings of FPLP as discussed in the FPLP portion of this report. Interest income on the 11.5% Subordinated notes issued by FPLP to the Fund was $1,676,000 and $3,334,000 for the three and six months ended June 30, 2009 compared to $1,671,000 and $3,342,000 in the same periods last year. The Fund's equity interest from its Class A limited partner Units was $536,000 and ($553,000) for the three and six months ended June 30, 2009 compared to $938,000 and $1,231,000 in the same periods last year. The Fund recorded a future income tax recovery of $8,000 and $67,000 for the three and six months ended June 30, 2009 compared to a future income tax expense of $18,000 and $65,000 in the same periods last year, due to lower rates being substantively enacted, which lowered the future income tax liability. Operating expenses incurred by the Fund were $48,000 and $134,000 for the three and six months ended June 30, 2009 compared to $74,000 and $141,000 in the same periods last year.

The Fund declared distributions to Unitholders of $1,967,000 or $0.285 per Unit and $3,935,000 or $0.570 per Unit for the three and six months ended June 30, 2009 compared to $2,226,000 or $0.323 per Unit and $4,452,000 or $0.645 per Unit in the same periods last year. Cash provided by operating activities of the Fund was $1,926,000 and $3,844,000 for the three and six months ended June 30, 2009 compared to $2,267,000 and $4,520,000 for the same periods last year.

Distributable Cash Attributable to the Fund(2)

Cash available for distribution attributable to the Fund(2) was $2,766,000 or $0.401 per Unit and $3,822,000 or $0.554 per Unit for the three and six months ended June 30, 2009 compared to $2,783,000 or $0.403 per Unit and $5,042,000 or $0.730 per Unit for the same periods last year. The small decrease in cash available for distribution attributable to the Fund(2) in the quarter is due to the decrease in EBITDA(1) of FPLP as discussed in the FPLP section of this report, offset by lower capital spending.

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 cumulatively less than 100% of cash available for distribution attributable to the Fund(2).

From commencement of the Fund on May 28, 2002 until June 30, 2009, distributable cash attributable to the Fund[(2)] totals $9.687 per Unit and during that period the Fund declared distributions to Unitholders of $8.933 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".

FP Canadian Newspapers Limited Partnership
Results of Operations

Revenue:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
	In thousands		In thousands	
Advertising	$ 20,020	$ 22,635	$ 38,029	$ 43,366
Circulation	7,586	7,372	14,588	14,520
Commercial Printing	1,251	1,610	2,401	3,100
Promotions and Services	834	792	1,511	1,421
	$ 29,691	$ 32,409	$ 56,529	$ 62,407

Revenue in the three months ended June 30, 2009 was $29.7 million, a $2.7 million or 8.4% decrease over the same quarter last year. Advertising revenue in the second quarter was $20.0 million, a $2.6 million or 11.6% decrease over the same quarter last year. FPLP's largest advertising revenue category, display advertising including colour, was $12.1 million, a decrease of $1.2 million or 9.1% compared to the same period last year, primarily due to decreased spending in the local and national automotive and employment categories. Classified advertising revenues in the second quarter decreased by $1.2 million or 24.1% compared to the same period last year, primarily due to a decrease in the employment, real estate and automotive categories. Flyer distribution revenues in the second quarter decreased by $0.2 million or 4.1% compared to the same period last year, due to decreased volumes. Circulation revenues in the second quarter increased by $0.2 million or 2.9%, due to rate increases implemented in March 2009 at the Winnipeg Free Press. Commercial printing revenues in the second quarter decreased by $0.4 million or 22.3% compared to the same period last year, primarily due to the cancellation of the National Post Winnipeg printing contract. Promotions and Services revenues in the second quarter remained virtually unchanged when compared to the same period last year due to an 18.2% increase in online revenues being offset by a decrease in production supplies recycling revenue.

Revenue in the six months ended June 30, 2009 was $56.5 million, a $5.9 million or 9.4% decrease over the same period last year. Advertising revenue in the six months ending June 30, 2009 was $38.0 million, a $5.3 million or 12.3% decrease over the same period last year. FPLP's largest advertising revenue category, display advertising including colour, was $22.9 million, a decrease of $2.9 million or 11.3% compared to the same period last year, primarily due to decreased spending in the local and national automotive and employment categories. Classified advertising revenues in the six months decreased by $1.9 million or 20.1% compared to the same period last year, primarily due to a decrease in the employment and automotive categories. Flyer distribution revenues in the six months decreased by $0.5 million or 6.4% compared to the same period last year, due to decreased volumes. Circulation revenues in the six months increased by $0.1 million or 0.5%, due to rates increases implemented in March 2009 at the Winnipeg Free Press, partially offset by subscription non-renewals and cancellations. Commercial printing revenues in the six months decreased by $0.7 million or 22.5% compared to the same period last year, primarily due to the cancellation of the National Post Winnipeg printing contract. Promotions and Services revenues in the six months increased by $0.1 million or 6.3%, due to an increase in online revenues partially offset by decreases in a number of smaller sundry revenue sources.

Operating expenses, excluding amortization:	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
	In thousands		In thousands	
Employee Compensation, excluding Restructuring Charge	$ 10,577	$ 11,606	$ 21,344	$ 23,300
Newsprint – Own Use	2,617	3,219	5,586	5,993
Newsprint - Commercial Printing	294	392	566	752
Delivery of Newspapers	5,047	4,869	9,651	9,477
Other	4,385	4,855	8,838	9,392
	$ 22,920	$ 24,941	$ 45,985	$ 48,914
Restructuring Charge	190	-	793	-
	$ 23,110	$ 24,941	$ 46,778	$ 48,914

Operating expenses, excluding amortization, in the three months ended June 30, 2009 were $23.1 million, a $1.8 million or 7.3% decrease from $24.9 million in the same quarter last year. Operating expenses in the quarter, excluding amortization and the restructuring charge, were $22.9 million, a decrease of $2.0 million or 8.1% from the same period in the prior year. Employee compensation costs, excluding the restructuring charge, in the quarter decreased by $1.0 million or 8.9%, primarily due to lower costs resulting from employee reductions as well as lower part-time, overtime, long-term incentive and management bonus plan costs. Newsprint expense for FPLP's own publications in the quarter decreased by $0.6 million or 18.7% as a result of lower consumption due to reduced advertising and circulation subscriptions. Newsprint expense for commercial printing in the quarter decreased by $0.1 million or 25.0% primarily due to lower consumption as a result of the loss of the National Post printing contract. Delivery costs increased by $0.2 million or 3.7% as rates increased due to the collective agreement, as well as increased trucking costs. Other expenses decreased by $0.5 million or 9.7% primarily due to lower rental costs associated with the Canstar move into the Winnipeg Free Press building, as well as slightly lower production costs. During the second quarter, FPLP incurred a restructuring charge of $0.2 million relating to voluntary and involuntary employee and independent contractor reductions at the Winnipeg Free Press and Canstar Community News Limited.

Operating expenses, excluding amortization, in the six months ended June 30, 2009 were $46.8 million, a $2.1 million or 4.4% decrease from $48.9 million in the same period last year. Operating expenses in the six months ending June 30, 2009, excluding amortization and the restructuring charge, were $46.0 million, a decrease of $2.9 million or 6.0% from the same period in the prior year. Employee compensation costs, excluding the restructuring charge, in the six months decreased by $2.0 million or 8.4% primarily due to lower costs resulting from employee reductions as well as lower part-time, overtime, long-term incentive and management bonus plan costs. Newsprint expense for FPLP's own publications in the six months decreased by $0.4 million or 6.8% as a result of lower consumption partially offset by higher newsprint prices. Newsprint expense for commercial printing in the six months decreased by $0.2 million or 24.7% primarily due to lower consumption as a result of the loss of the National Post printing contract, partially offset by increased newsprint prices. Delivery costs increased by $0.2 million or 1.8% as rates increased due to the collective agreement, as well as increased trucking costs. Other expenses decreased by $0.6 million or 5.9% primarily due to lower rental costs associated with the Canstar move into the Winnipeg Free Press building, as well as slightly lower production costs. During the six months, FPLP incurred a restructuring charge of $0.8 million relating to voluntary and involuntary employee and independent contractor reductions at the Winnipeg Free Press and Canstar Community News Limited. The estimated annual compensation and contracting cost savings in 2009 from these reductions is approximately $1.2 million.

EBITDA(1) for the three and six months ended June 30, 2009 was $6.6 million and $9.8 million, compared to $7.5 million and $13.5 million for the same periods last year. EBITDA(1) for the three and six months excluding the restructuring charge was $6.8 million and $10.5 million and EBITDA(1) margin excluding the restructuring charge was 22.8% and 18.7% compared to 23.0% and 21.6% in the same periods last year.

Interest income for the three and six months ended June 30, 2009 decreased by 92.2% and 82.9% compared to the same periods last year, due to lower cash balances carried as well as lower interest rates paid.

FPLP's net earnings were $2.8 million and $2.3 million for the three and six months ended June 30, 2009 compared to $3.7 million and $6.0 million for the same periods last year. The decrease is primarily due to reduced advertising revenues resulting from the current economic slowdown.

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 2009, 2008 and 2007 were as follows:

	2009	2008	2007
Revenue		In thousands	
Quarter 1	$ 26,838 (**)	$ 29,998	$ 29,829
Quarter 2	29,691 (**)	32,409	32,224
Quarter 3		30,975	30,507
Quarter 4		27,730 (*)	33,302
		$121,112	$ 125,862
EBITDA[1]			
Quarter 1	$ 3,170 (**)	$ 6,025	$ 5,740
Quarter 2	6,581 (**)	7,468	7,611
Quarter 3		6,212	6,571
Quarter 4		3,276 (*)	8,595
		$ 22,981	$ 28,517
Net (loss) earnings			
Quarter 1	$ (496) (**)	$ 2,338	$ 2,062
Quarter 2	2,838 (**)	3,653	3,925
Quarter 3		2,492	2,809
Quarter 4		(526) (*)	4,622
		$ 7,957	$ 13,418

(*)The decrease in revenue, EBITDA[1] and net earnings in the fourth quarter of 2008 is the result of a loss of sixteen publications in October of the Winnipeg Free Press as well as the publications that would normally be printed for the weekly Canstar Community News Limited business due to the strike by the unionized workers.

(**)The decrease in revenue, EBITDA[1] and net earnings in the first two quarters of 2009 is primarily the result of reduced advertising revenues resulting from the economic slowdown. EBITDA[1] and net earnings were also lower due to restructuring charges of $603,000 in the first quarter of 2009 and $190,000 in the second quarter of 2009.

The distribution policy of FPLP is to make distributions in approximately equal monthly amounts based on expected operating results for each fiscal year. Distribution levels are reviewed regularly by management and the Board of Directors of the managing general partner and are subject to change based on a number of factors including the overall operating results and capital requirements of the business.

Working Capital Position of FPLP

Total working capital at June 30, 2009 was ($50.9) million, down from $10.5 million at June 30, 2008. The decrease in working capital is due to the requirement to classify our $60.0 million Series A 5.2% Senior Secured Notes payable as a current liability as discussed in note 10 of FPLP's June 30, 2009 financial statements, as well as to lower earnings, partially offset by lower capital purchases and distributions. Excluding the Notes payable, working capital at June 30, 2009 was $9.0 million compared to $8.8 million at December 31, 2008.

Liquidity and Capital Resources of FPLP

Cash and cash equivalents at June 30, 2009 was $7.1 million compared to $10.9 million at June 30, 2008. 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 $2.4 million during the second quarter, while $0.1 million was used for investing activities and $2.4 million was used for financing activities. Cash flow from operations, together with cash balances on hand, are currently expected to be sufficient to fund FPLP's operating requirements, capital expenditures and anticipated distributions, assuming that advertising revenues do not materially deteriorate beyond management's current expectations.

The $60.0 million Series A 5.2% Senior Secured Notes are due on June 5, 2010 and FPLP intends to refinance these Notes prior to the due date. The major risks associated with this refinancing that could impact future operations include higher loan payments which could potentially impact future Unitholder distribution levels.

Cash Flow from Operating Activities

During the three and six months ended June 30, 2009, cash generated from operating activities was $2.4 million and $4.2 million, compared to $4.7 million and $8.7 million for the same periods last year. The net earnings for the three and six months ending June 30, 2009 were $2.8 million and $2.3 million compared to $3.7 million and $6.0 million for the same periods in the prior year. The net earnings were lower primarily due to reduced advertising revenues resulting from the current economic slowdown. The net change in non-cash working capital in the three and six months ended June 30, 2009 was a decrease of $1.7 million and $0.7 million compared to decreases of $0.4 million and $0.1 million for the same periods 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

Capital purchases totalled $0.1 million for the three and six months ended June 30, 2009, compared to $0.6 million and $0.9 million in the same periods last year. All of the purchases were maintenance capital spending for the three and six months ended June 30, 2009, representing the replacement of capital in order to sustain current business operations. Maintenance capital spending during the second quarter of 2009 consisted primarily of computer controls on production equipment and software upgrades to the Winnipeg Free Press classified system. While our initial 2009 capital spending budget was $1.7 million, actual capital spending is likely to be lower as we seek to manage the impact of the economic downturn on the business.

Strategic capital spending is defined as investments not necessary for the current ongoing operation of the business, but justified based on a return on the investment which meets internal return on investment criteria. There were no strategic capital purchases for the three and six months ending June 30, 2009. Strategic capital spending of $0.4 million in the three and six months ending June 30, 2008 related to building modifications at the Winnipeg Free Press to accommodate the transfer of Canstar Community News Limited employees.

There were no investment purchases for the three and six months ended June 30, 2009, compared to $0.5 million for the same periods last year. The investment in 2008 represented the purchase of Units of FP Newspapers Income Fund under the LTIP plan for the 2007 plan year. There were no LTIP unit awards earned in the 2008 plan year, so no Units were required to be purchased in 2009.

Financing Activities

Distributions to partners of FPLP for the three and six months ended June 30, 2009 totalled $2.4 million and $4.7 million, of which $0.3 million and $0.6 million were paid to the Fund as holder of Class A limited partner Units. This is compared to $3.1 million and $6.1 million in the same periods last year, of which $0.7 million and $1.3 million were 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, 2008.

Reserve 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 six months ended June 30, 2009 and 2008 is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
	In thousands		In thousands	
Reserve at beginning of period	$ 1,480	$ 614	$ 1,480	$ 348
Increase in reserve	20	221	20	487
Decrease in reserve	-	-	-	-
Reserve at end of period	$ 1,500	$ 835	$ 1,500	$ 835

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. FPLP has established a maintenance capital maximum reserve policy under which the maximum reserve level is $1.5 million.

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.

Debt Covenants

Under the terms of the $60 million Series A Senior Secured Notes, 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 June 30, 2009 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:

Twelve Months Ended	Net Debt/EBITDA(1)	EBITDA(1)/Net Interest
June 30, 2009	2.86	6.47
March 31, 2009	2.73	6.90
December 31, 2008	2.39	8.02
September 30, 2008	1.93	9.91
June 30, 2008	1.91	10.01

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’s Discussion and Analysis at December 31, 2008. There have been no changes during 2009 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 and six months ended June 30, 2009 were $1.0 million and $3.5 million compared to $2.3 million and $4.6 million for the same period last year.

Internal Controls over Financial Reporting

There have been no significant changes in internal controls over financial reporting since the year ended December 31, 2008 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 FPLP’s or the Fund’s critical accounting estimates since the year ended December 31, 2008.

Initial Adoption of New Accounting Pronouncements

Effective January 1, 2009, the Fund and FPLP prospectively adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3064 Goodwill and Intangible Assets. This standard establishes policies for the recognition, measurement, presentation and disclosure of goodwill and intangible assets as well as discussing when intangibles can be recognized.

There was no financial statement impact as a result of adopting this new standard.

In February 2008, the Canadian Accounting Standards Board announced that International Financial Reporting Standards ("IFRS") will be used for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. FPLP and the Fund have developed a conversion implementation plan to ensure that differences between GAAP and IFRS are identified. Reporting under IFRS will commence for interim and annual periods in 2011, including 2010 IFRS comparative information.

FPLP and the Fund have completed the planning phase and initial conversion diagnostic between GAAP and IFRS. While the effects of IFRS have not yet been fully determined, FPLP and the Fund have identified the key areas which include:

- Property, plant and equipment
- Impairment of assets
- Employee future benefits
- Presentation of financial statements

A detailed assessment of accounting differences is currently underway and no decisions have yet been made with regard to accounting policy choices.

As first-time adopters of IFRS, FPLP and the Fund are required to apply IFRS 1 "First time adoption of International Financial Reporting Standards". A number of exemptions are available under the Standard which FPLP and the Fund are currently evaluating.

Historical Distributions Paid Analysis

FPLP:	Three Months ended June 30, 2009	Six Months ended June 30, 2009	Twelve months ended December 31, 2008	Twelve Months ended December 31, 2007
		In thousands		
Cash provided by operating activities	$ 2,435	$ 4,171	$ 11,933	$ 20,641
Net earnings	2,838	2,342	7,957	13,418
Distributions paid during the period	2,389	4,724	11,820	12,143
Excess (shortfall) of cash provided by operating activities over cash distributions paid	$ 46	$ (553)	$ 113	$ 8,498
Excess (shortfall) of net earnings over cash distributions paid	$ 449	$ (2,382)	$ (3,863)	$ 1,275

Cash distributions paid in two of the four 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 earnings, in accordance with GAAP, exceeds capital expenditures charged as a reduction of distributable cash in all periods, this result is not unexpected.

Fund:	Three Months ended June 30, 2009	Six Months ended June 30, 2009	Twelve months ended December 31, 2008	Twelve Months ended December 31, 2007
		In thousands		
Cash provided by operating activities	$ 1,926	$ 3,844	$ 8,819	$ 9,051
Net earnings	2,173	2,716	6,682	7,968
Distributions paid during the period	1,967	3,935	8,732	8,904
(Shortfall) excess of cash provided by operating activities over cash distributions paid	$ (41)	$ (91)	$ 87	$ 147
Excess (shortfall) of net earnings over cash distributions paid	$ 206	$ (1,219)	$ (2,050)	$ (936)

Cash distributions paid in three of the four 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 the Deed of Trust of the Fund and are primarily dependent 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.

Business Risks and Uncertainties

Revenue

Advertising revenues, which account for approximately 67% of total revenue, are historically dependent upon general economic conditions and the specific spending plans of high-volume advertisers. A significant downturn in the national or regional economy, like the one which is currently being experienced, decreases 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 strike like the one that occurred in October 2008 at the Winnipeg Free Press and Canstar Community News or other work stoppage could restrict or eliminate the ability of FPLP to earn revenue from its publishing business during the strike or stoppage. Contracts are now in place with unionized employees at the Winnipeg Free Press and Canstar which run to June 30, 2013, and collective agreements covering unionized employees at the Brandon Sun are in place which run to December 31, 2013.

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 $6.2 million during the first two quarters of 2009. 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 June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
	In thousands		In thousands	
Net earnings for the period	$ 2,838	$ 3,653	$ 2,342	$ 5,991
Add (subtract):				
Amortization of property, plant and equipment	1,035	1,170	2,078	2,175
Amortization of intangible assets	90	90	180	180
Interest expense	2,616	2,610	5,211	5,217
Interest income	(6)	(77)	(29)	(170)
Gain on sale of property, plant and equipment	-	(3)	(4)	(3)
Current income tax (recovery) expense	(10)	(2)	(9)	8
Future income tax expense (recovery)	18	27	(18)	95
EBITDA	$ 6,581	$ 7,468	$ 9,751	$ 13,493

(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 June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Distributable cash of FPLP:	In thousands		In thousands	
EBITDA(1)	$ 6,581	$ 7,468	$ 9,751	$ 13,493
Interest income	6	77	29	170
Interest expense on Notes payable and capital leases, excluding amortization of related deferred financing costs	(780)	(795)	(1,560)	(1,592)
Principal repayment of capital leases	-	(74)	-	(147)
Maintenance capital expenditures	(57)	(279)	(143)	(513)
Increase in reserve for future maintenance capital	(20)	(221)	(20)	(487)
Strategic capital expenditures	-	(357)	-	(357)
Proceeds from sale of property, plant and equipment	-	3	4	3
Current income and capital taxes expense	10	2	9	(8)
	$ 5,740	$ 5,824	$ 8,070	$ 10,562
49% attributable to the Fund	$ 2,813	$ 2,854	$ 3,954	$ 5,175
Administration expenses	(48)	(74)	(134)	(141)
Interest income	1	3	2	8
Distributable cash attributable to the Fund	$ 2,766	$ 2,783	$ 3,822	$ 5,042
Distributable cash attributable to the Fund – per Unit	$ 0.401	$ 0.403	$ 0.554	$ 0.730

A summary of distributable cash and distributions declared for the trailing twelve months to June 30, 2009 and for the period from commencement of the Fund on May 28, 2002 to June 30, 2009 is as follows:

Distributable Cash of FPLP:

	Last Twelve Months	Since May 28, 2002
	In thousands	
EBITDA[1]	$ 19,239	$ 172,461
Interest income	155	874
Interest expense on Notes payable and capital leases, excluding amortization of related deferred financing costs	(3,128)	(22,210)
Principal repayment of capital leases	(50)	(1,136)
Maintenance capital expenditures	(498)	(7,504)
Increase in reserve for future maintenance capital expenditures	(665)	(1,500)
Strategic capital expenditures	(324)	(1,331)
Increase in reserve for strategic capital, acquisitions, and/or debt reduction	-	(353)
Proceeds on disposal of property, plant and equipment	32	1,138
Current income and capital tax expense	(13)	(183)
Distributable cash of FPLP	$ 14,748	$ 140,256

Distributable Cash Attributable to the Fund:

	Last Twelve Months	Since May 28, 2002
	In thousands	
49% of FPLP distributable cash	$ 7,227	$ 68,725
Administration expenses	(266)	(1,914)
Interest income	9	51
Distributable cash attributable to the Fund	$ 6,970	$ 66,862
Distributable cash attributable to the Fund per Unit	$1.010	$9.687
Distributions declared by the Fund per Unit	$1.178	$8.933
Payout Ratio	116.6%	92.2%

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
	In thousands		In thousands	
Cash flow from operating activities of FPLP	$ 2,435	$ 4,626	$ 4,171	$ 8,620
Add (subtract):				
Interest on Subordinated notes (*)	1,676	1,671	3,334	3,342
Net change in non-cash working capital items (**)	1,706	415	724	61
Maintenance capital expenditures	(57)	(279)	(143)	(513)
Increase in reserve for future maintenance capital(***)	(20)	(221)	(20)	(487)
Strategic capital expenditures	-	(357)	-	(357)
Principal repayment of capital leases	-	(74)	-	(147)
Proceeds from sale of property, plant and equipment (****)	-	3	4	3
Other comprehensive earnings	-	40	-	40
Distributable cash of FPLP	$ 5,740	$ 5,824	$ 8,070	$ 10,562

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 June 30, 2009	As at December 31, 2008
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 335	$ 435
Interest receivable from FP Canadian Newspapers Limited Partnership	553	569
Due from FPCN Media Funding Inc.	26	26
Prepaid expenses	8	12
	922	1,042
Investment in FPCN General Partner Inc.	49	40
Investment in FP Canadian Newspapers Limited Partnership (note 3)	58,340	59,499
	$ 59,311	$ 60,581
LIABILITIES AND UNITHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 137	$ 121
Distribution payable (note 4)	656	656
	793	777
Long-Term Liabilities:		
Future income taxes	1,868	1,935
	2,661	2,712
Unitholders' Equity:		
Trust Units	69,026	69,026
Cumulative earnings	49,278	46,562
Cumulative distributions	(61,654)	(57,719)
	56,650	57,869
	$ 59,311	$ 60,581

(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 June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Earnings from investment in FP Canadian Newspapers Limited Partnership				
Interest from subordinated notes	$ 1,676	$ 1,671	$ 3,334	$ 3,342
Equity interest from Class A limited partner Units (note 3)	536	938	(553)	1,231
Other interest	1	3	2	8
	2,213	2,612	2,783	4,581
Administration expenses	(48)	(74)	(134)	(141)
Net earnings before income taxes	$ 2,165	2,538	$ 2,649	4,440
Future income tax recovery (expense)	8	(18)	67	(65)
Net earnings and Comprehensive income for the period	$ 2,173	$ 2,520	$ 2,716	$ 4,375
Cumulative earnings, beginning of period	47,105	41,735	46,562	39,880
Cumulative earnings, end of period	$ 49,278	$ 44,255	$ 49,278	$ 44,255
Number of trust Units outstanding	6,902,592	6,902,592	6,902,592	6,902,592
Net earnings per trust Unit	$ 0.315	$ 0.365	$ 0.394	$ 0.634

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

	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Balance – beginning of period	$ 56,444	$ 59,462	$ 57,869	$ 59,833
Net earnings for the period	2,173	2,520	2,716	4,375
Distributions to Unitholders	(1,967)	(2,226)	(3,935)	(4,452)
Balance – end of period	$ 56,650	$ 59,756	$ 56,650	$ 59,756

(See accompanying notes)

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

	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Cash provided by (used in):				
Operating activities:				
Net earnings for the period	$ 2,173	$ 2,520	$ 2,716	$ 4,375
Items not affecting cash:				
Equity interest from Class A Units of FP Canadian Newspapers Limited Partnership (note 3)	(536)	(938)	553	(1,231)
Future income tax (recovery) expense	(8)	18	(67)	65
Distributions received on Class A Units of FP Canadian Newspapers Limited Partnership (note 3)	306	653	606	1,289
Net change in non-cash working capital items	(9)	14	36	22
	1,926	2,267	3,844	4,520
Financing activities:				
Distributions to Unitholders	(1,967)	(2,226)	(3,935)	(4,452)
Investment activities:				
Investment in FPCN General Partner Inc.	(9)	(10)	(9)	(10)
(Decrease) increase in cash and cash equivalents	(50)	31	(100)	58
Cash and cash equivalents – beginning of period	385	385	435	358
Cash and cash equivalents – end of period	$ 335	$ 416	$ 335	$ 416

(See accompanying notes)

FP Newspapers Income Fund
Notes to Consolidated Financial Statements as at June 30, 2009
(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, 2008, 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, 2008.

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. Summary of significant accounting policies

Change in Accounting Policy

Effective January 1, 2009, the Fund prospectively adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3064 Goodwill and Intangible Assets. This standard establishes policies for the recognition, measurement, presentation and disclosure of goodwill and intangible assets as well as discussing when intangibles can be recognized. There was no financial impact to the financial statements as a result of the adopting this new standard.

3. 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 repayment 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, 2008	$ 58,454	$ 1,045	$ 59,499
Equity interest in the period	-	(1,089)	(1,089)
Distributions received	-	(300)	(300)
Balance at March 31, 2009	$ 58,454	$ (344)	$ 58,110
Equity interest in the period	-	536	536
Distributions received	-	(306)	(306)
Balance at June 30, 2009	$ 58,454	$ (114)	$ 58,340

The change in equity interest for the three and six months ended June 30, 2009 and 2008 from the Fund's investment in Class A limited partner Units of FPLP is calculated as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Net earnings of FPLP	$ 2,838	$ 3,653	$ 2,342	$ 5,991
Plus: Interest on subordinated notes	1,676	1,671	3,334	3,342
Net earnings before interest on subordinated notes	$ 4,514	$ 5,324	$ 5,676	$ 9,333
49% interest attributable to the Fund	2,212	2,609	2,781	4,573
Less: Interest from subordinated notes	(1,676)	(1,671)	(3,334)	(3,342)
Equity interest from Class A limited partner Units	$ 536	$ 938	$ (553)	$ 1,231

4. Distribution payable

The Fund recorded a distribution payable at June 30, 2009 of $0.095 per Unit. The distribution was paid July 30, 2009 to Unitholders of record on June 30, 2009 and is in respect of the month of June 2009.

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

	As at June 30, 2009	As at December 31, 2008
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 7,143	$ 7,835
Accounts receivable	11,309	12,880
Inventories	1,030	1,699
Prepaid expenses	1,754	1,119
Future Income Taxes	68	50
	21,304	23,583
Property, plant and equipment	45,882	47,817
Investment (note 4)	121	208
Intangible assets	7,563	7,743
Goodwill	71,160	71,160
	$ 146,030	$ 150,511
LIABILITIES AND UNITHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 9,116	$ 11,604
Income taxes payable	-	10
Prepaid subscriptions and deferred revenue	3,207	3,171
Notes payable (note 10)	59,850	-
	72,173	14,785
Long-Term Liabilities:		
Notes payable (note 10)	-	59,769
Subordinated notes	56,734	56,498
	56,734	116,267
	128,907	131,052
Unitholders' Equity:		
Partner Units	41,293	41,293
Cumulative earnings	63,416	61,074
Cumulative distributions	(87,357)	(82,633)
Accumulated other comprehensive loss (note 4)	(229)	(275)
	17,123	19,459
	$ 146,030	$ 150,511

(See accompanying notes)

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

	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Revenue	$ 29,691	$32,409	$ 56,529	$ 62,407
Operating expenses, excluding amortization and restructuring charge	(22,920)	(24,941)	(45,985)	(48,914)
Restructuring charge (note 9)	(190)	-	(793)	-
	6,581	7,468	9,751	13,493
Amortization of property, plant and equipment	(1,035)	(1,170)	(2,078)	(2,175)
Amortization of intangible assets	(90)	(90)	(180)	(180)
Earnings before the under-noted	5,456	6,208	7,493	11,138
Interest expense (note 6)	(2,616)	(2,610)	(5,211)	(5,217)
Interest income	6	77	29	170
Gain on sale of property, plant and equipment	-	3	4	3
Earnings before income taxes	2,846	3,678	2,315	6,094
Income tax (expense) recovery:				
- Current	10	2	9	(8)
- Future	(18)	(27)	18	(95)
Net earnings for the period	2,838	3,653	2,342	5,991
Cumulative earnings – beginning of period	60,578	55,455	61,074	53,117
Cumulative earnings – end of period	$ 63,416	$ 59,108	$ 63,416	$ 59,108

Consolidated Statements of Comprehensive Income
(unaudited, in thousands of Canadian dollars)

	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Net earnings for the period	$ 2,838	$ 3,653	$ 2,342	$ 5,991
Other comprehensive loss				
Unrealized gain (loss) on investment, net of tax (note 4)	129	(40)	46	(40)
Comprehensive income for the period	$ 2,967	$ 3,613	$ 2,388	$ 5,951

(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, 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
Net earnings for the period	2,883	770	3,653
Distributions paid	(2,438)	(653)	(3,091)
Other comprehensive loss, net of tax	(32)	(8)	(40)
Unitholders' equity – June 30, 2008	$ 14,723	$ 8,684	$ 23,407
Net earnings for the period	1,968	524	2,492
Distributions paid	(2,438)	(653)	(3,091)
Other comprehensive loss, net of tax	(77)	(20)	(97)
Unitholders' equity – September 30, 2008	$ 14,176	$ 8,535	$ 22,711
Net loss for the period	(331)	(195)	(526)
Distributions paid	(2,172)	(416)	(2,588)
Other comprehensive loss, net of tax	(111)	(27)	(138)
Unitholders' equity – December 31, 2008	$ 11,562	$ 7,897	$ 19,459
Net loss for the period	(432)	(64)	(496)
Distributions paid	(2,035)	(300)	(2,335)
Other comprehensive loss, net of tax	(72)	(11)	(83)
Unitholders' equity – March 31, 2009	$ 9,023	$ 7,522	$ 16,545
Net earnings for the period	2,474	364	2,838
Distributions paid	(2,083)	(306)	(2,389)
Other comprehensive gain, net of tax	112	17	129
Unitholders' equity – June 30, 2009	$ 9,526	$ 7,597	$ 17,123

(See accompanying notes)

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

	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Cash provided by (used in)				
Operating activities:				
Net earnings for the period	$ 2,838	$ 3,653	$ 2,342	$ 5,991
Items not affecting cash:				
Amortization of property, plant and equipment and intangible assets	1,125	1,260	2,258	2,355
Amortization of deferred financing costs (note 6)	160	144	317	283
Future income tax expense (recovery)	18	27	(18)	95
Gain on disposal of property, plant and equipment	-	(3)	(4)	(3)
	4,141	5,081	4,895	8,721
Net change in non-cash working capital items	(1,706)	(415)	(724)	(61)
	2,435	4,666	4,171	8,660
Investing activities:				
Purchases of property, plant and equipment	(57)	(636)	(143)	(870)
Proceeds from sale of property, plant and equipment	-	3	4	3
Investment	-	(483)	-	(483)
	(57)	(1,116)	(139)	(1,350)
Financing activities:				
Distributions to partners	(2,389)	(3,091)	(4,724)	(6,141)
Principal repayment of capital leases	-	(74)	-	(147)
	(2,389)	(3,165)	(4,724)	(6,288)
(Decrease) increase in cash and cash equivalents	(11)	385	(692)	1,022
Cash and cash equivalents - beginning of period	7,154	10,557	7,835	9,920
Cash and cash equivalents - end of period	$ 7,143	$ 10,942	$ 7,143	$ 10,942
Supplemental Cash Flow Information:				
Interest paid during the period	$ 2,475	$ 2,484	$ 4,911	$ 4,951
Taxes paid during the period	$ 6	$ 4	$ 14	$ 9

(See accompanying notes)

FP Canadian Newspapers Limited Partnership
Notes to Consolidated Financial Statements as at June 30, 2009
(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, 2008.

FPLP'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

Change in Accounting Policy

Effective January 1, 2009, FPLP prospectively adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3064 Goodwill and Intangible Assets. This standard establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets as well as discussing when intangibles can be recognized. There was no financial impact to the financial statements as a result of the adopting this new standard.

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. Investment

The Trust Fund holds units of FP Newspapers Income Fund, which have been classified as "available for sale" and therefore are measured at fair value, as determined by the published price quote. Gains and losses resulting from the periodic revaluation are recorded in other comprehensive earnings. During the quarter, 10,402 units were distributed to participants leaving a balance of 27,411 units with a carrying value of $121,000 as at June 30, 2009 ($208,000 - December 31, 2008). The accumulated other comprehensive loss related to this revaluation adjustment is $229,000 as at June 30, 2009 ($275,000 - December 31, 2008).

5. Employee future benefit plans

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Defined benefit pension plan	$ 315	$ 345	$ 636	$ 692

6. Interest expense

Interest expense is summarized as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Subordinated notes	$ 1,676	$ 1,671	$ 3,334	$ 3,342
Amortization of subordinated notes deferred financing costs	120	106	237	208
Notes payable	780	794	1,560	1,588
Amortization of notes payable deferred financing costs	40	38	80	75
Capital lease obligations	-	1	-	4
	$ 2,616	$ 2,610	$ 5,211	$ 5,217

7. Capital management

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

FPLP's capital consists of cash and cash equivalents, debt and Unitholders' equity. The components at June 30, 2009 and December 31, 2008 were as follows:

	As at June 30, 2009	As at December 31, 2008
Notes payable	$ 59,850	$ 59,769
Cash and cash equivalents	(7,143)	(7,835)
External net debt	52,707	51,934
Subordinated notes	56,734	56,498
Unitholders' equity	17,123	19,459
Total capitalization	$ 126,564	$ 127,891
External net debt as a percentage of total capitalization	41.6%	40.6%

The notes payable 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 this agreement. FPLP is required to maintain a ratio of net debt to earnings, as defined in the agreement, 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 June 30, 2009, 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 June 30, 2009, March 31, 2009, December 31, 2008, September 30, 2008, and June 30, 2008 are as follows:

	Net Debt / Earnings as defined under agreement	Earnings as defined under agreement / Net interest
June 30, 2009	2.86	6.47
March 31, 2009	2.73	6.90
December 31, 2008	2.39	8.02
September 30, 2008	1.93	9.91
June 30, 2008	1.91	10.01

8. Financial instrument risk management

Credit Risk

As FPLP is in the business of publishing newspapers and performing printing services for third parties, included in accounts receivable are primarily amounts owed from advertisers and advertising agencies, circulation customers and commercial print clients. FPLP does not hold collateral as security for these balances. FPLP's credit risk relating to these accounts receivable is spread over a large number of national and local advertising clients and advertising agencies, in addition to many circulation retail customers and third party printing clients. FPLP manages credit risk on a customer by customer basis and establishes a reasonable allowance for non collectible amounts with this allowance netted against the accounts receivable on the balance sheet. The adequacy of the allowance is reviewed on a regular basis, and is estimated based on past experience, specific risks associated with the customers and other relevant information. The ten largest receivable amounts total $2,996,000 as at June 30, 2009 ($3,161,000 - December 31, 2008) and approximately 79% of these balances are owed from national advertising agencies. The largest amount due from a single national agency is $762,000 as at June 30, 2009 ($634,000 - December 31, 2008) which represents 6.7% of total receivables.

At June 30, 2009, FPLP estimates the value of impaired accounts receivable is $118,000 ($156,000 - December 31, 2008), and these amounts are included as part of the allowance for doubtful accounts.

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

	As at June 30, 2009	As at December 31, 2008
Accounts receivable:		
Current	$ 6,573	$ 7,520
Up to three months past due	4,728	5,276
Greater than three months past due	281	367
Impaired	118	156
Allowance for doubtful accounts	(391)	(439)
	$ 11,309	$ 12,880

9. Restructuring charge

During the quarter, FPLP incurred a restructuring charge of $190,000, for voluntary and involuntary employee and independent contractor reductions at the Winnipeg Free Press and Canstar Community News Limited. This charge is in addition to the first quarter charge of $603,000. During the second quarter, $227,000 was paid, in addition to $814,000 paid in the first quarter, leaving an accounts payable and accrued liabilities balance of $169,000 at June 30, 2009 ($417,000 - December 31, 2008).

10. Notes Payable

The Series A 5.2% Senior Secured Notes payable are due on June 5, 2010. FPLP intends to refinance these Notes prior to their due date. Since the terms of the refinancing have not yet been determined, all of the Notes, net of the unamortized financing costs, have been classified as a current liability on FPLP's consolidated Balance Sheet at June 30, 2009.

Caution Regarding Forward-Looking Statements:
Certain statements in this news release and accompanying management's discussion and analysis may constitute forward-looking statements within the meaning of applicable securities laws. All statements other than statements of historical fact are forward-looking statements. These statements include but are not limited to statements regarding management's intent, belief or current expectations with respect to market and general economic conditions, future costs and operating performance. 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 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. Such factors include, but not limited to, the current significant general economic uncertainty and credit and financial market volatility, 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 relatively high fixed costs, FPLP's dependence upon particular advertising customer segments, indebtedness incurred in making acquisitions, the availability of financing for capital improvements, FPLP's ability to refinance its core long-term debt, 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, the risk of equipment failure, 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 10, 2009, which is available at www.sedar.com.

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, such assumptions may prove to be incorrect.

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. Because forward-looking statements are inherently uncertain, readers should not place undue reliance on them.

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

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CIBC Mellon Trust Company

Auditors:
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