NEWSPAPERS fp INCOME FUND

Q3 – 2009
Quarterly Report
September 30, 2009

TSX: FP.UN

Third Quarter Report
September 30, 2009
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 September 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 ("Canstar"), which operates six weekly newspapers, a weekly entertainment newspaper and a twice-monthly newspaper aimed at age 50-plus readers, as well as delivery businesses in the Winnipeg area.

Total revenue for FPLP for the three months ended September 30, 2009 was $26.6 million, a $4.4 million or 14.3 percent decrease from 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 $4.7 million, a $1.6 million or 25.0 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 $0.3 million restructuring charge for voluntary and involuntary employee reductions at the Winnipeg Free Press. FPLP had net earnings of $1.1 million in the quarter compared to net earnings of $2.5 million in the same quarter last year.

The Fund had net earnings of $1.3 million, or $0.188 per Unit, during the three months ended September 30, 2009, compared to net earnings of $2.0 million, or $0.286 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

Revenue in the three months ended September 30, 2009 was $26.6 million, a $4.4 million or 14.3 percent decrease from the same quarter last year. Advertising revenue in the third quarter was $17.3 million, a $3.6 million or 17.2 percent decrease from the same quarter last year. FPLP's largest advertising revenue category, display advertising including colour, was $10.0 million, a decrease of $2.4 million or 19.2 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 third quarter decreased by $1.1 million or 23.4 percent compared to the same period last year, primarily due to a decrease in the employment and real estate categories. Flyer distribution revenues in the third quarter decreased by $0.2 million or 3.8 percent compared to the same period last year, due to decreased volumes. Circulation revenues in the third quarter increased by $0.1 million or 1.3 percent, due to rate increases implemented in March 2009 at the Winnipeg Free Press, partially offset by subscription reductions. Commercial printing revenues in the third quarter decreased by $0.4 million or 27.8 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 third quarter decreased by $0.5 million or 43.2 percent compared to the same period last year, primarily due to a reduction of sponsorship revenues resulting from the Winnipeg Free Press ending its affiliation with the Canadian Tour Players Cup golf tournament, partially offset by an increase in online revenues.

Operating expenses, excluding amortization, in the three months ended September 30, 2009 were $21.9 million, a $2.9 million or 11.6 percent decrease from $24.8 million in the same quarter last year. Operating expenses in the quarter, excluding amortization and the restructuring charge, were $21.6 million, a decrease of $3.2 million or 12.9 percent from the same period in the prior year. Employee compensation costs, excluding the restructuring charge, in the quarter decreased by $0.9 million or 7.9 percent, primarily due to lower costs resulting from employee reductions in previous quarters and lower part-time costs. Newsprint expense for FPLP's own publications in the quarter decreased by $1.2 million or 36.0 percent as a result of lower consumption due to reduced advertising and circulation subscriptions, as well as lower newsprint prices. Newsprint expense for commercial printing in the quarter decreased by $0.2 million or 45.2 percent, primarily due to lower consumption as a result of the loss of the National Post printing contract, as well as lower newsprint prices. Delivery costs decreased by $0.2 million or 3.4 percent, due to independent contractor reductions at Canstar, partially offset by rate increases included in the collective agreement. Other expenses decreased by $0.8 million or 15.7 percent, primarily due to not incurring costs associated with the Canadian Tour Players Cup golf tournament as well as lower costs associated with fewer advertising supplements. During the third quarter, FPLP incurred a restructuring charge of $0.3 million relating to voluntary and involuntary employee reductions at the Winnipeg Free Press.

In the face of ongoing declines in advertising revenue, management at all operating units continues to review, and implement, opportunities for increasing efficiencies. The Winnipeg Free Press consolidated two of its five delivery depots, resulting in a reduction of four district manager positions. Severance costs relating to this reduction are included in the restructuring costs recorded in the third quarter results.

During the third quarter we completed the sale of the Thunder Bay distribution business, which we initially purchased as part of the 2004 acquisition of the Winnipeg community newspapers from Transcontinental Media. The Thunder Bay distribution operation employed three full-time employees in addition to part-time employees and delivery contractors. While many different changes were introduced to try to make this operation profitable, the sale of the business was ultimately the most prudent course of action.

According to preliminary figures released by the Audit Bureau of Circulations, total paid circulation of the Winnipeg Free Press for the six months ending September 30th was 162,791 on Saturdays, a 1.0 percent decrease from the same period in 2008 and 118,958 from Monday to Friday, a 0.7 percent decrease from the same period in 2008.

In the context of community involvement, the Free Press employees once again participated in the Raise-a-Reader fundraising event where staff sold newspapers on the street in the early morning with all proceeds going to literacy programs in Manitoba. We are also pleased that Free Press columnist Lindor Reynolds has been nominated for a media award by Beyond Borders for a series of stories she wrote over the past year related to sexual exploitation. The national charity, which advances the right of children around the world to be free from sexual abuse and exploitation, will announce the winners on November 20, which is Universal Children’s Day.

The Brandon Sun, unlike most daily newspapers across Canada, showed an increase in display advertising revenue in the third quarter of 2009 when compared to the same period last year. This was due in large part to the significant marketing effort put forth earlier in the year, as a result of which the Sun's advertising department secured 76 12-month contracts. Much of the additional revenue is new to the paper from non-traditional advertisers.

Total paid circulation of the Brandon Sun for the six months ending September 30th was 16,066 on Saturdays, a 5.8 percent decrease from 2008 and 13,697 from Monday to Friday, a 0.8 percent decrease from 2008.

Sunday editions across the country are seldom profitable, and until the Brandon Sun made major changes to its Sunday effort it was no different. The Brandon Sun has amalgamated its Sunday nonsubscriber product and its regular edition into one edition. The Sunday product now has a circulation of 24,500 and is a strong advertising package. Also in the third quarter, the Brandon Sun discontinued its television listing tabloid, which had suffered diminishing readership and advertising revenues over the past few years.

The Sun plans to launch a new website in the fourth quarter. The new site will be highly interactive and will host features the present site is not capable of carrying. The Sun will also launch a vertical Homes site to serve the real estate market in Brandon and western Manitoba.

Work continues on the refinancing of our $60 million Series A 5.2 percent Senior Secured Notes, which are due on June 5, 2010. We have held discussions with both our existing lender, The Prudential Insurance Company of America, as well as several Canadian lenders. We will provide updates in the coming quarters as we work towards finalizing the refinancing terms on or prior to the maturity of the existing Notes.

Distributions

Distributable cash attributable to the Fund(2) for the three months ended September 30, 2009 was $1.8 million, or $0.259 per Unit compared to $2.2 million or $0.319 per Unit last year. For the trailing twelve months ended September 30, 2009, FPLP has generated distributable cash attributable to the Fund(2) of $0.949 per Unit, and the Fund has declared distributions of $1.140 per Unit, resulting in a payout ratio of 120.1 percent.

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

Outlook

During the first three quarters, advertising revenues continued to be impacted by the well-publicized economic slowdown. While it is early in the fourth quarter, we have not seen a significant change in that pattern. The decrease in employee compensation costs, excluding the restructuring charge, of 7.9 percent for the third 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 fourth 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 fourth quarter compared to last year. Future newsprint price increases will be implemented, but the timing and level are not yet known.

During the fourth quarter, the Winnipeg Free Press completed the launch of a new Weekend Edition printed newspaper, which consolidates the regular content from our Saturday and Sunday products. The first weekend edition was published on Saturday, October 31. With this consolidation of content, the Free Press returns to its roots as a six-day-a-week paper, which it has been for most of its 137-year history. Breaking stories will, as usual, continue to be updated on the Free Press website. The announcement of the weekend publishing changes was communicated in the Free Press starting on Friday October 16 and, while we have had a number of customers voice both positive and negative comments, there has been a very small number of subscription cancellations. As a complement to the launch of the Weekend Edition, the Free Press has started publishing a compact-format Sunday paper called “Free Press on 7”, available for purchase through retail outlets and vending boxes in Winnipeg, which will focus content on breaking news in addition to hefty sports and entertainment coverage. The first edition of Free Press on 7 was on newsstands Sunday, November 1 and the initial reaction has been extremely positive. Circulation sales were double our single copy normal Sunday sales and regular Sunday advertisers have committed to continuing normal spending levels.

During the fourth quarter, the Brandon Sun was notified by CTVGlobemedia Publishing Inc. (“CTVGlobemedia”) that it will not renew the Globe and Mail newspaper printing contract for the Manitoba and Saskatchewan markets. CTVGlobemedia and the Brandon Sun have agreed that the current ten-year contract, which expires on February 1, 2010, will be extended to September 30, 2010 but will not be renewed after this date. As a result of CTVGlobemedia’s decision, we are exploring all options including consolidating printing operations in Winnipeg, in order to offset the lost contribution from this printing contract. No changes to editorial coverage or resources are anticipated to be made.

Overall, we are responding to changes in opportunities that are facing all newspapers and feel that we are well positioned to do so.

Ronald N. Stern
Chairman & Trustee

November 5, 2009

Management's Discussion and Analysis

Overview

Management's Discussion and Analysis, prepared as at November 5, 2009, provides a review of significant developments that have affected the Fund's performance in the three months ended September 30, 2009. This review is based on financial information contained in the unaudited consolidated interim financial statements and accompanying notes for the three and nine months ended September 30, 2009.

The following information 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.

This management's discussion and Analysis contains "forward-looking statements" that are subject to risks and uncertainties set out in a cautionary note contained herein. The reader is cautioned not to place undue reliance on forward-looking 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, and delivery businesses in Winnipeg and Brandon, which are operated under the Canstar Community News division ("Canstar").

FP Newspapers Income Fund

The Fund is dependent on the operations of FPLP, its sole investment. The Fund's net earnings were $1,298,000 and $4,014,000 for the three and nine months ended September 30, 2009 compared to net earnings of $1,977,000 and $6,352,000 for the same periods last year. The decrease for the three and nine months ended September 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 $1,694,000 and $5,028,000 for the three and nine months ended September 30, 2009 compared to $1,690,000 and $5,032,000 in the same periods last year. The Fund's equity interest from its Class A limited partner Units was ($314,000) and ($867,000) for the three and nine months ended September 30, 2009 compared to $359,000 and $1,590,000 in the same periods last year. The Fund recorded a future income tax expense of $10,000 and a recovery of $57,000 for the three and nine months ended September 30, 2009 compared to a future income tax expense of $12,000 and $77,000 in the same periods last year. For the nine months ending September 30, 2009 there is a future income tax recovery when compared to the future income tax expense in the prior year, due to the lower tax rates being substantively enacted during the first quarter of the year. Operating expenses incurred by the Fund were $73,000 and $207,000 for the three and nine months ended September 30, 2009 compared to $64,000 and $205,000 in the same periods last year.

The Fund declared distributions to Unitholders of $1,967,000 or $0.285 per Unit and $5,902,000 or $0.855 per Unit for the three and nine months ended September 30, 2009 compared to $2,227,000 or $0.323 per Unit and $6,679,000 or $0.968 per Unit in the same periods last year. Cash provided by operating activities of the Fund was $1,923,000 and $5,767,000 for the three and nine months ended September 30, 2009 compared to $2,238,000 and $6,758,000 for the same periods last year.

Distributable Cash Attributable to the Fund(2)

Cash available for distribution attributable to the Fund(2) was $1,787,000 or $0.259 per Unit and $5,609,000 or $0.813 per Unit for the three and nine months ended September 30, 2009 compared to $2,202,000 or $0.319 per Unit and $7,244,000 or $1.049 per Unit for the same periods last year. The 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 and proceeds from the sale of the Thunder Bay assets.

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 September 30, 2009, distributable cash attributable to the Fund[(2)] totals $9.945 per Unit and during that period the Fund declared distributions to Unitholders of $9.218 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 September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
	In thousands		In thousands	
Advertising	$ 17,341	$ 20,942	$ 55,370	$ 64,308
Circulation	7,507	7,410	22,095	21,930
Commercial Printing	1,013	1,404	3,414	4,504
Promotions and Services	693	1,219	2,204	2,640
	$ 26,554	$ 30,975	$ 83,083	$ 93,382

Revenue in the three months ended September 30, 2009 was $26.6 million, a $4.4 million or 14.3% decrease from the same quarter last year. Advertising revenue in the third quarter was $17.3 million, a $3.6 million or 17.2% decrease from the same quarter last year. FPLP's largest advertising revenue category, display advertising including colour, was $10.0 million, a decrease of $2.4 million or 19.2% 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 third quarter decreased by $1.1 million or 23.4% compared to the same period last year, primarily due to a decrease in the employment and real estate categories. Flyer distribution revenues in the third quarter decreased by $0.2 million or 3.8% compared to the same period last year, due to decreased volumes. Circulation revenues in the third quarter increased by $0.1 million or 1.3%, due to rate increases implemented in March 2009 at the Winnipeg Free Press, partially offset by subscription reductions. Commercial printing revenues in the third quarter decreased by $0.4 million or 27.8% 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 third quarter decreased by $0.5 million or 43.2% compared to the same period last year, primarily due to a reduction of sponsorship revenues resulting from the termination of the Winnipeg Free Press's affiliation with the Canadian Tour Players Cup golf tournament, partially offset by an increase in online revenues.

Revenue in the nine months ended September 30, 2009 was $83.1 million, a $10.3 million or 11.0% decrease from the same period last year. Advertising revenue in the nine months ending September 30, 2009 was $55.4 million, an $8.9 million or 13.9% decrease from the same period last year. FPLP's largest advertising revenue category, display advertising including colour, was $32.9 million, a decrease of $5.3 million or 13.9% 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 nine months decreased by $3.0 million or 21.2% compared to the same period last year, primarily due to a decrease in the employment category, with smaller decreases also in the real estate and automotive categories. Flyer distribution revenues in the nine months decreased by $0.7 million or 5.6% compared to the same period last year, due to decreased volumes. Circulation revenues in the nine months increased by $0.2 million or 0.8%, due to rate increases implemented in March 2009 at the Winnipeg Free Press, partially offset by subscription reductions. Commercial printing revenues in the nine months decreased by $1.1 million or 24.2% 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 nine months decreased by $0.4 million or 16.5%, primarily due to a reduction of sponsorship revenues resulting from the termination of the Winnipeg Free Press's affiliation with the Canadian Tour Players Cup golf tournament, partially offset by an increase in online revenues.

Operating expenses, excluding amortization:	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
	In thousands		In thousands	
Employee Compensation, excluding Restructuring Charge	$ 10,302	$ 11,187	$ 31,646	$ 34,487
Newsprint – Own Use	2,104	3,285	7,690	9,278
Newsprint - Commercial Printing	200	365	766	1,117
Delivery of Newspapers	4,683	4,846	14,334	14,323
Other	4,284	5,080	13,122	14,472
	$ 21,573	$ 24,763	$ 67,558	$ 73,677
Restructuring Charge	321	-	1,114	-
	$ 21,894	$ 24,763	$ 68,672	$ 73,677

Operating expenses, excluding amortization, in the three months ended September 30, 2009 were $21.9 million, a $2.9 million or 11.6% decrease from $24.8 million in the same quarter last year. Operating expenses in the quarter, excluding amortization and the restructuring charge, were $21.6 million, a decrease of $3.2 million or 12.9% from the same period in the prior year. Employee compensation costs, excluding the restructuring charge, in the quarter decreased by $0.9 million or 7.9%, primarily due to lower costs resulting from employee reductions in previous quarters and lower part-time costs. Newsprint expense for FPLP's own publications in the quarter decreased by $1.2 million or 36.0% as a result of lower consumption due to reduced advertising and circulation subscriptions, as well as lower newsprint prices. Newsprint expense for commercial printing in the quarter decreased by $0.2 million or 45.2%, primarily due to lower consumption as a result of the loss of the National Post printing contract, as well as lower newsprint prices. Delivery costs decreased by $0.2 million or 3.4%, due to independent contractor reductions at Canstar, partially offset by rate increases included in the collective agreement. Other expenses decreased by $0.8 million or 15.7%, primarily due to not incurring costs associated with the Canadian Tour Players Cup golf tournament as well as lower costs associated with fewer advertising supplements. During the third quarter, FPLP incurred a restructuring charge of $0.3 million relating to voluntary and involuntary employee reductions at the Winnipeg Free Press. The staff reductions were partially a result of the consolidation of two of the five Winnipeg distribution depots, in addition to other part-time staff. The estimated annual compensation cost savings in 2009 from these reductions is approximately $0.2 million.

Operating expenses, excluding amortization, in the nine months ended September 30, 2009 were $68.7 million, a $5.0 million or 6.8% decrease from $73.7 million in the same period last year. Operating expenses in the nine months ending September 30, 2009, excluding amortization and the restructuring charge, were $67.6 million, a decrease of $6.1 million or 8.3% from the same period in the prior year. Employee compensation costs, excluding the restructuring charge, in the nine months decreased by $2.8 million or 8.2% primarily due to lower costs resulting from employee reductions in previous quarters as well as lower part-time, overtime and management bonus accruals. Newsprint expense for FPLP's own publications in the nine months decreased by $1.6 million or 17.1%, largely as a result of lower consumption. Newsprint expense for commercial printing in the nine months decreased by $0.4 million or 31.4%, primarily due to lower consumption as a result of the loss of the National Post printing contract. Delivery costs remained virtually unchanged from the prior year due to independent contractor reductions, substantially offset by rate increases due to the collective agreement and increased trucking costs. Other expenses decreased by $1.4 million or 9.3%, primarily due to not incurring costs associated with the Canadian Tour Players Cup golf tournament, lower rental costs associated with the Canstar move into the Winnipeg Free Press building, as well as lower costs associated with fewer advertising supplements. During the nine months, FPLP incurred a restructuring charge of $1.1 million relating to voluntary and involuntary employee and independent contractor reductions at the Winnipeg Free Press and Canstar. The estimated annual compensation and contracting cost savings in 2009 from these reductions is approximately $1.4 million.

EBITDA(1) for the three and nine months ended September 30, 2009 was $4.7 million and $14.4 million, compared to $6.2 million and $19.7 million for the same periods last year. EBITDA(1) for the three and nine months excluding the restructuring charge was $5.0 million and $15.5 million and EBITDA(1) margin, excluding the restructuring charge, was 18.8% and 18.7% for the three and nine months compared to 20.1% and 21.1% for the same periods last year.

Interest income for the three and nine months ended September 30, 2009 decreased by $0.1 million and $0.2 million compared to the same periods last year, due to lower cash balances carried as well as lower interest rates earned.

Gain on sale of property, plant and equipment for the three and nine months ended September 30, 2009 increased by $0.3 million for both the three and nine months compared to the same periods last year, due to the sale of the Thunder Bay distribution operation.

FPLP's net earnings were $1.1 million and $3.5 million for the three and nine months ended September 30, 2009 compared to $2.5 million and $8.5 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	26,554 (**)	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	4,660 (**)	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	1,122 (**)	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 16 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 three 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 $1.1 million in the first three quarters 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 September 30, 2009 was ($51.1) million, down from $10.7 million at September 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 September 30, 2009 financial statements, as well as to lower earnings, partially offset by lower capital purchases and distributions. Excluding the Notes payable, working capital was $8.8 million at both September 30, 2009 and December 31, 2008.

Liquidity and Capital Resources of FPLP

Cash and cash equivalents at September 30, 2009 was $7.9 million compared to $10.7 million at September 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 $3.3 million during the third 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. 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 impact future Unitholder distribution levels.

Cash Flow from Operating Activities

During the three and nine months ended September 30, 2009, cash generated from operating activities was $3.3 million and $7.4 million, compared to $3.4 million and $12.0 million for the same periods last year. The net earnings for the three and nine months ending September 30, 2009 were $1.1 million and $3.5 million compared to $2.5 million and $8.5 million for the same periods in the prior year. The net earnings were lower in 2009 primarily due to reduced advertising revenues resulting from the current economic slowdown. The net change in non-cash working capital in the three and nine months ended September 30, 2009 was an increase of $1.1 million and $0.3 million compared to decreases of $0.4 million and $0.5 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 $0.2 million and $0.4 million for the three and nine months ended September 30, 2009, compared to $0.5 million and $1.4 million for the same periods in the prior year. Maintenance capital spending during the third quarter of 2009 consisted primarily of replacement of general computer hardware and software. While our initial 2009 capital spending budget was $1.7 million, actual capital spending in 2009 is likely to be closer to $1.0 million as we seek to manage the impact of the economic downturn on our 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 nine months ending September 30, 2009, compared to $0.3 million and $0.7 million for the same periods in the prior year.

Financing Activities

Distributions to partners of FPLP for the three and nine months ended September 30, 2009 totalled $2.4 million and $7.1 million, of which $0.3 million and $0.9 million were paid to the Fund as holder of Class A limited partner Units. This is compared to $3.1 million and $9.2 million in the same periods last year, of which $0.7 million and $1.9 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 nine months ended September 30, 2009 and 2008 is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
	In thousands		In thousands	
Reserve at beginning of period	$ 1,500	$ 835	$ 1,480	$ 348
Increase in reserve	-	329	20	816
Decrease in reserve	-	-	-	-
Reserve at end of period	$ 1,500	$ 1,164	$ 1,500	$ 1,164

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 12-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 September 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 12-month periods are as follows:

Twelve Months Ended	Net Debt/EBITDA(1)	EBITDA(1)/Net Interest
September 30, 2009	3.11	5.81
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

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 nine months ended September 30, 2009 were $1.0 million and $4.5 million compared to $2.6 million and $7.3 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. FPLP and the Fund will begin reporting under IFRS starting with the interim period ended March 31, 2011, with restatement for comparative purposes of amounts reported for the corresponding periods in 2010.

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 September 30, 2009	Nine Months ended September 30, 2009	Twelve months ended December 31, 2008	Twelve Months ended December 31, 2007
		In thousands		
Cash provided by operating activities	$ 3,254	$ 7,425	$ 11,933	$ 20,641
Net earnings	1,122	3,464	7,957	13,418
Distributions paid during the period	2,389	7,113	11,820	12,143
Excess of cash provided by operating activities over cash distributions paid	$ 865	$ 312	$ 113	$ 8,498
Excess (shortfall) of net earnings over cash distributions paid	$ (1,267)	$ (3,649)	$ (3,863)	$ 1,275

Cash distributions paid in three 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 September 30, 2009	Nine Months ended September 30, 2009	Twelve months ended December 31, 2008	Twelve Months ended December 31, 2007
		In thousands		
Cash provided by operating activities	$ 1,923	$ 5,767	$ 8,819	$ 9,051
Net earnings	1,298	4,014	6,682	7,968
Distributions paid during the period	1,967	5,902	8,732	8,904
(Shortfall) excess of cash provided by operating activities over cash distributions paid	$ (44)	$ (135)	$ 87	$ 147
(Shortfall) of net earnings over cash distributions paid	$ (669)	$ (1,888)	$ (2,050)	$ (936)

Cash distributions paid in all of the 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.

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 $8.5 million during the first three 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.

Refinancing

The $60.0 million Series A 5.2% Senior Secured Notes are due on June 5, 2010. 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 impact future Unitholder distribution levels.

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 September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
	In thousands		In thousands	
Net earnings for the period	$ 1,122	$ 2,492	$ 3,464	$ 8,483
Add (subtract):				
Amortization of property, plant and equipment	1,036	1,084	3,114	3,259
Amortization of intangible assets	90	90	270	270
Interest expense	2,637	2,625	7,848	7,842
Interest income	(5)	(74)	(34)	(244)
Gain on sale of property, plant and equipment	(294)	-	(298)	(3)
Current income tax (recovery) expense	6	8	(3)	16
Future income tax expense (recovery)	68	(13)	50	82
EBITDA	$ 4,660	$ 6,212	$ 14,411	$ 19,705

(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 September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Distributable cash of FPLP:	In thousands		In thousands	
EBITDA(1)	$ 4,660	$ 6,212	$ 14,411	$ 19,705
Interest income	5	74	34	244
Interest expense on Notes payable and capital leases, excluding amortization of related deferred financing costs	(780)	(788)	(2,340)	(2,380)
Principal repayment of capital leases	-	(50)	-	(197)
Maintenance capital expenditures	(245)	(171)	(388)	(684)
Increase in reserve for future maintenance capital	-	(329)	(20)	(816)
Strategic capital expenditures	-	(324)	-	(681)
Proceeds from sale of property, plant and equipment	159	-	163	3
Current income and capital taxes expense	(6)	(8)	3	(16)
	$ 3,793	$ 4,616	$ 11,863	$ 15,178
49% attributable to the Fund	$ 1,859	$ 2,262	$ 5,813	$ 7,437
Administration expenses	(73)	(64)	(207)	(205)
Interest income	1	4	3	12
Distributable cash attributable to the Fund	$ 1,787	$ 2,202	$ 5,609	$ 7,244
Distributable cash attributable to the Fund – per Unit	$ 0.259	$ 0.319	$ 0.813	$ 1.049

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

Distributable Cash of FPLP:

	Last Twelve Months	Since May 28, 2002
	In thousands	
EBITDA[1]	$ 17,687	$ 177,121
Interest income	86	879
Interest expense on Notes payable and capital leases, excluding amortization of related deferred financing costs	(3,120)	(22,990)
Principal repayment of capital leases	-	(1,136)
Maintenance capital expenditures	(572)	(7,749)
Increase in reserve for future maintenance capital expenditures	(336)	(1,500)
Strategic capital expenditures	-	(1,331)
Increase in reserve for strategic capital, acquisitions, and/or debt reduction	-	(353)
Proceeds on disposal of property, plant and equipment	191	1,297
Current income and capital tax expense	(11)	(189)
Distributable cash of FPLP	$ 13,925	$ 144,049

Distributable Cash Attributable to the Fund:

	Last Twelve Months	Since May 28, 2002
	In thousands	
49% of FPLP distributable cash	$ 6,823	$ 70,584
Administration expenses	(275)	(1,987)
Interest income	6	52
Distributable cash attributable to the Fund	$ 6,554	$ 68,649
Distributable cash attributable to the Fund per Unit	$0.949	$9.945
Distributions declared by the Fund per Unit	$1.140	$9.218
Payout Ratio	120.1%	92.7%

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
	In thousands		In thousands	
Cash flow from operating activities of FPLP	$ 3,254	$ 3,378	$ 7,425	$ 12,038
Add (subtract):				
Interest on Subordinated notes (*)	1,694	1,690	5,028	5,032
Net change in non-cash working capital items (**)	(1,069)	422	(345)	483
Maintenance capital expenditures	(245)	(171)	(388)	(684)
Increase in reserve for future maintenance capital(***)	-	(329)	(20)	(816)
Strategic capital expenditures	-	(324)	-	(681)
Principal repayment of capital leases	-	(50)	-	(197)
Proceeds from sale of property, plant and equipment (****)	159	-	163	3
Distributable cash of FPLP	$ 3,793	$ 4,616	$ 11,863	$ 15,178

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 September 30, 2009	As at December 31, 2008
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 291	$ 435
Interest receivable from FP Canadian Newspapers Limited Partnership	553	569
Due from FPCN Media Funding Inc.	-	26
Prepaid expenses	23	12
	867	1,042
Investment in FPCN General Partner Inc.	49	40
Investment in FP Canadian Newspapers Limited Partnership (note 3)	57,720	59,499
	$ 58,636	$ 60,581
LIABILITIES AND UNITHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 121	$ 121
Distribution payable (note 4)	656	656
	777	777
Long-Term Liabilities:		
Future income taxes	1,878	1,935
	2,655	2,712
Unitholders' Equity:		
Trust Units	69,026	69,026
Cumulative earnings	50,576	46,562
Cumulative distributions	(63,621)	(57,719)
	55,981	57,869
	$ 58,636	$ 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 September 30, 2009	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008
Earnings from investment in FP Canadian Newspapers Limited Partnership				
Interest from subordinated notes	$ 1,694	$ 1,690	$ 5,028	$ 5,032
Equity interest from Class A limited partner Units (note 3)	(314)	359	(867)	1,590
Other interest	1	4	3	12
	1,381	2,053	4,164	6,634
Administration expenses	(73)	(64)	(207)	(205)
Net earnings before income taxes	$ 1,308	1,989	$ 3,957	6,429
Future income tax recovery (expense)	(10)	(12)	57	(77)
Net earnings and Comprehensive income for the period	$ 1,298	$ 1,977	$ 4,014	$ 6,352
Cumulative earnings, beginning of period	49,278	44,255	46,562	39,880
Cumulative earnings, end of period	$ 50,576	$ 46,232	$ 50,576	$ 46,232
Number of trust Units outstanding	6,902,592	6,902,592	6,902,592	6,902,592
Net earnings per trust Unit	$ 0.188	$ 0.286	$ 0.582	$ 0.920

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

	Three Months Ended September 30, 2009	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008
Balance – beginning of period	$ 56,650	$ 59,756	$ 57,869	$ 59,833
Net earnings for the period	1,298	1,977	4,014	6,352
Distributions to Unitholders	(1,967)	(2,227)	(5,902)	(6,679)
Balance – end of period	$ 55,981	$ 59,506	$ 55,981	$ 59,506

(See accompanying notes)

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

	Three Months Ended September 30, 2009	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008
Cash provided by (used in):				
Operating activities:				
Net earnings for the period	$ 1,298	$ 1,977	$ 4,014	$ 6,352
Items not affecting cash:				
Equity interest from Class A Units of FP Canadian Newspapers Limited Partnership (note 3)	314	(359)	867	(1,590)
Future income tax (recovery) expense	10	12	(57)	77
Distributions received on Class A Units of FP Canadian Newspapers Limited Partnership (note 3)	306	653	912	1,942
Net change in non-cash working capital items	(5)	(45)	31	(23)
	1,923	2,238	5,767	6,758
Financing activities:				
Distributions to Unitholders	(1,967)	(2,227)	(5,902)	(6,679)
Investment activities:				
Investment in FPCN General Partner Inc.	-	-	(9)	(10)
(Decrease) increase in cash and cash equivalents	(44)	11	(144)	69
Cash and cash equivalents – beginning of period	335	416	435	358
Cash and cash equivalents – end of period	$ 291	$ 427	$ 291	$ 427

(See accompanying notes)

FP Newspapers Income Fund
Notes to Consolidated Financial Statements as at September 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
Equity interest in the period	-	(314)	(314)
Distributions received	-	(306)	(306)
Balance at September 30, 2009	$ 58,454	$ (734)	$ 57,720

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Net earnings of FPLP	$ 1,122	$ 2,492	$ 3,464	$ 8,483
Plus: Interest on subordinated notes	1,694	1,690	5,028	5,032
Net earnings before interest on subordinated notes	$ 2,816	$ 4,182	$ 8,492	$ 13,515
49% interest attributable to the Fund	1,380	2,049	4,161	6,622
Less: Interest from subordinated notes	(1,694)	(1,690)	(5,028)	(5,032)
Equity interest from Class A limited partner Units	$ (314)	$ 359	$ (867)	$ 1,590

4. Distribution payable

The Fund recorded a distribution payable at September 30, 2009 of $0.095 per Unit. The distribution was paid October 29, 2009 to Unitholders of record on September 30, 2009 and is in respect of the month of September 2009.

5. Subsequent event

During the fourth quarter, the Brandon Sun was notified by CTVGlobemedia Publishing Inc. ("CTVGlobemedia") that it will not renew the Globe and Mail newspaper printing contract for the Manitoba and Saskatchewan markets. CTVGlobemedia and the Brandon Sun have agreed that the current ten-year contract, which expires on February 1, 2010, will be extended to September 30, 2010 but will not be renewed after this date. As a result of CTVGlobemedia's decision, we are exploring all options including consolidating printing operations in Winnipeg, in order to offset the lost contribution from this printing contract. No changes to editorial coverage or resources are anticipated to be made.

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

	As at September 30, 2009	As at December 31, 2008
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 7,922	$ 7,835
Accounts receivable	10,596	12,880
Inventories	1,045	1,699
Prepaid expenses	1,509	1,119
Future Income Taxes	-	50
	21,072	23,583
Property, plant and equipment	45,077	47,817
Investment (note 4)	164	208
Intangible assets	7,473	7,743
Goodwill	71,160	71,160
	$ 144,946	$ 150,511
LIABILITIES AND UNITHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 9,079	$ 11,604
Income taxes payable	-	10
Prepaid subscriptions and deferred revenue	3,221	3,171
Notes payable (note 10)	59,889	-
	72,189	14,785
Long-Term Liabilities:		
Notes payable (note 10)	-	59,769
Subordinated notes	56,858	56,498
	56,858	116,267
	129,047	131,052
Unitholders' Equity:		
Partner Units	41,293	41,293
Cumulative earnings	64,538	61,074
Cumulative distributions	(89,746)	(82,633)
Accumulated other comprehensive loss (note 4)	(186)	(275)
	15,899	19,459
	$ 144,946	$ 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 September 30, 2009	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008
Revenue	$ 26,554	$30,975	$ 83,083	$ 93,382
Operating expenses, excluding amortization and restructuring charge	(21,573)	(24,763)	(67,558)	(73,677)
Restructuring charge (note 9)	(321)	-	(1,114)	-
	4,660	6,212	14,411	19,705
Amortization of property, plant and equipment	(1,036)	(1,084)	(3,114)	(3,259)
Amortization of intangible assets	(90)	(90)	(270)	(270)
Earnings before the under-noted	3,534	5,038	11,027	16,176
Interest expense (note 6)	(2,637)	(2,625)	(7,848)	(7,842)
Interest income	5	74	34	244
Gain on sale of property, plant and equipment	294	-	298	3
Earnings before income taxes	1,196	2,487	3,511	8,581
Income tax (expense) recovery:				
- Current	(6)	(8)	3	(16)
- Future	(68)	13	(50)	(82)
Net earnings for the period	1,122	2,492	3,464	8,483
Cumulative earnings – beginning of period	63,416	59,108	61,074	53,117
Cumulative earnings – end of period	$ 64,538	$ 61,600	$ 64,538	$ 61,600

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

	Three Months Ended September 30, 2009	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008
Net earnings for the period	$ 1,122	$ 2,492	$ 3,464	$ 8,483
Other comprehensive loss				
Unrealized gain (loss) on investment, net of tax (note 4)	43	(97)	89	(137)
Comprehensive income for the period	$ 1,165	$ 2,395	$ 3,553	$ 8,346

(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
Net earnings for the period	977	145	1,122
Distributions paid	(2,083)	(306)	(2,389)
Other comprehensive gain, net of tax	37	6	43
Unitholders' equity – September 30, 2009	$ 8,457	$ 7,442	$ 15,899

(See accompanying notes)

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

	Three Months Ended September 30, 2009	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008
Cash provided by (used in)				
Operating activities:				
Net earnings for the period	$ 1,122	$ 2,492	$ 3,464	$ 8,483
Items not affecting cash:				
Amortization of property, plant and equipment and intangible assets	1,126	1,174	3,384	3,529
Amortization of deferred financing costs (note 6)	163	147	480	430
Future income tax expense (recovery)	68	(13)	50	82
Gain on disposal of property, plant and equipment	(294)	-	(298)	(3)
	2,185	3,800	7,080	12,521
Net change in non-cash working capital items	1,069	(422)	345	(483)
	3,254	3,378	7,425	12,038
Investing activities:				
Purchases of property, plant and equipment	(245)	(495)	(388)	(1,365)
Proceeds from sale of property, plant and equipment	159	-	163	3
Investment	-	-	-	(483)
	(86)	(495)	(225)	(1,845)
Financing activities:				
Distributions to partners	(2,389)	(3,091)	(7,113)	(9,232)
Principal repayment of capital leases	-	(50)	-	(197)
	(2,389)	(3,141)	(7,113)	(9,429)
Increase (decrease) in cash and cash equivalents	779	(258)	87	764
Cash and cash equivalents - beginning of period	7,143	10,942	7,835	9,920
Cash and cash equivalents - end of period	$ 7,922	$ 10,684	$ 7,922	$ 10,684
Supplemental Cash Flow Information:				
Interest paid during the period	$ 2,474	$ 2,478	$ 7,385	$ 7,429
Taxes paid during the period	$ 11	17	$ 25	26

(See accompanying notes)

1. Basis of presentation

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

These interim consolidated financial statements include the accounts of FPLP. During the quarter, Canstar Community News Limited ("Canstar") was wound up into FPLP. 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, 41 units were distributed to participants leaving a balance of 27,370 units with a carrying value of $164,000 as at September 30, 2009 ($208,000 - December 31, 2008). The accumulated other comprehensive loss related to this revaluation adjustment is $186,000 as at September 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 September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Defined benefit pension plan	$ 320	$ 365	$ 956	$ 1,065

6. Interest expense

Interest expense is summarized as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Subordinated notes	$ 1,694	$ 1,690	$ 5,028	$ 5,032
Amortization of subordinated notes deferred financing costs	123	109	360	317
Notes payable	780	788	2,340	2,376
Amortization of notes payable deferred financing costs	40	38	120	113
Capital lease obligations	-	-	-	4
	$ 2,637	$ 2,625	$ 7,848	$ 7,842

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 September 30, 2009 and December 31, 2008 were as follows:

	As at September 30, 2009	As at December 31, 2008
Notes payable	$ 59,889	$ 59,769
Cash and cash equivalents	(7,922)	(7,835)
External net debt	51,967	51,934
Subordinated notes	56,858	56,498
Unitholders' equity	15,889	19,459
Total capitalization	$ 124,714	$ 127,891
External net debt as a percentage of total capitalization	41.7%	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 September 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 September 30, 2009, June 30, 2009, March 31, 2009, December 31, 2008, and September 30, 2008 are as follows:

	Net Debt / Earnings as defined under agreement	Earnings as defined under agreement / Net interest
September 30, 2009	3.11	5.81
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

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 $2,672,000 as at September 30, 2009 ($3,161,000 - December 31, 2008) and approximately 84% of these balances are owed from national advertising agencies. The largest amount due from a single national agency is $506,000 as at September 30, 2009 ($634,000 - December 31, 2008) which represents 5% of total receivables.

At September 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 September 30, 2009	As at December 31, 2008
Accounts receivable:		
Current	$ 6,818	$ 7,520
Up to three months past due	3,832	5,276
Greater than three months past due	284	367
Impaired	118	156
Allowance for doubtful accounts	(456)	(439)
	$ 10,596	$ 12,880

9. Restructuring charge

During the quarter, FPLP incurred a restructuring charge of $321,000, for voluntary and involuntary employee reductions at the Winnipeg Free Press. This charge is in addition to the $793,000 charge during the first two quarters. During the third quarter, $101,000 was paid, in addition to $1,041,000 paid during the first two quarters, leaving an accounts payable and accrued liabilities balance of $389,000 at September 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 September 30, 2009.

11. Subsequent Event

During the fourth quarter, the Brandon Sun was notified by CTVGlobemedia Publishing Inc. ("CTVGlobemedia") that it will not renew the Globe and Mail newspaper printing contract for the Manitoba and Saskatchewan markets. CTVGlobemedia and the Brandon Sun have agreed that the current ten-year contract, which expires on February 1, 2010, will be extended to September 30, 2010 but will not be renewed after this date. As a result of CTVGlobemedia's decision, we are exploring all options including consolidating printing operations in Winnipeg, in order to offset the lost contribution from this printing contract. No changes to editorial coverage or resources are anticipated to be made.

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.

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