



FP Newspapers Inc.

Financial Statements

For the Three Months Ended March 31, 2018

FP Newspapers Inc.
Condensed Balance Sheets
(unaudited, in thousands of Canadian dollars)

| | Note | As at March 31, 2018 | As at December 30, 2017 |
|--|------|----------------------------|-------------------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | | \$ 672 | \$ 735 |
| Prepaid expenses and other assets | | 6 | - |
| | | 678 | 735 |
| LONG-TERM ASSETS | | | |
| Investment in FP Canadian Newspapers Limited Partnership | 3 | 6,301 | 6,411 |
| TOTAL ASSETS | | \$ 6,979 | \$ 7,146 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| CURRENT LIABILITIES | | | |
| Accounts payable and accrued liabilities | | \$ 49 | \$ 69 |
| Income taxes payable | | 178 | 175 |
| | | 227 | 244 |
| LONG-TERM LIABILITIES | | | |
| Deferred income tax liability | | 810 | 835 |
| TOTAL LIABILITIES | | 1,037 | 1,079 |
| SHAREHOLDERS' EQUITY | | | |
| Share capital | | 71,373 | 71,373 |
| Deficit | | (65,431) | (65,306) |
| TOTAL SHAREHOLDERS' EQUITY | | 5,942 | 6,067 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | \$ 6,979 | 7,146 |

(See accompanying notes)

FP Newspapers Inc.**Condensed Statements of Earnings (Loss) and Comprehensive Income (Loss)**

(unaudited, in thousands of Canadian dollars except per share amounts)

| | | Three Months Ended March 31, | |
|--|-------------|-------------------------------------|---------------|
| | Note | 2018 | 2017 |
| Equity interest (loss) from FP Canadian Newspapers Limited Partnership Class A limited partner units | 3 | \$ (54) | \$ 305 |
| Administration expenses | | (38) | (30) |
| Other income | | 1 | - |
| Net (loss) income before income taxes | | (91) | 275 |
| Current income tax (expense) | | (3) | (16) |
| Deferred income tax recovery (expense) | | 10 | (73) |
| Net (loss) earnings for the period | | \$ (84) | \$ 186 |
| Items that will not be reclassified to net income: | | | |
| Equity interest of other comprehensive (loss) income from FP Canadian Newspapers Limited Partnership | 3 | (56) | 10 |
| Deferred income tax recovery (expense) | | 15 | (2) |
| Comprehensive (loss) income for the period | | \$ (125) | \$ 194 |
| Weighted average number of Common Shares outstanding | | 6,902,592 | 6,902,592 |
| Net (loss) earnings per share – basic and diluted | | \$ (0.012) | \$ 0.027 |

(See accompanying notes)

FP Newspapers Inc.
Condensed Statements of Changes in Equity
For the Periods Ended March 31, 2018 and 2017
(unaudited, in thousands of Canadian dollars)

| | Share Capital | Deficit | Total Shareholders' Equity |
|---|---------------|-------------|----------------------------|
| At December 30, 2016 | \$ 71,373 | \$ (62,674) | \$ 8,699 |
| Net earnings for the period | - | 186 | 186 |
| Other comprehensive income for the period | - | 8 | 8 |
| Comprehensive income for the period | - | 194 | 194 |
| At March 31, 2017 | \$ 71,373 | \$ (62,480) | \$ 8,893 |
| At December 30, 2017 | \$ 71,373 | \$ (65,306) | \$ 6,067 |
| Net (loss) for the period | - | (84) | (84) |
| Other comprehensive (loss) for the period | - | (41) | (41) |
| Comprehensive (loss) for the year | - | (125) | (125) |
| At March 31, 2018 | \$ 71,373 | \$ (65,431) | \$ 5,942 |

(See accompanying notes)

FP Newspapers Inc.
Condensed Statements of Cash Flows
(unaudited, in thousands of Canadian dollars)

| | | Three months ended March 31, | |
|--|-------------|-------------------------------------|---------------|
| | Note | 2018 | 2017 |
| Cash provided by (used in): | | | |
| Operating activities: | | | |
| Net (loss) earnings for the period | | \$ (84) | \$ 186 |
| Items not affecting cash: | | | |
| Equity interest from Class A Units of FP Canadian Newspapers Limited Partnership | 3 | 54 | (305) |
| Deferred income tax expense (recovery) | | (10) | 73 |
| Net change in non-cash working capital items | | (23) | (132) |
| (DECREASE) IN CASH AND CASH EQUIVALENTS | | (63) | (178) |
| CASH AND CASH EQUIVALENTS – BEGINNING OF PERIOD | | 735 | 673 |
| CASH AND CASH EQUIVALENTS – END OF PERIOD | | \$ 672 | \$ 495 |
| Supplemental Cash Flow information: | | | |
| Income tax paid during the period | | \$ - | \$ 100 |

(See accompanying notes)

FP Newspapers Inc.

Notes to Condensed Financial Statements at March 31, 2018

(unaudited, in thousands of Canadian dollars)

1. GENERAL INFORMATION

FP Newspapers Inc. ("FPI"), which was incorporated under the Canada Business Corporations Act on March 17, 2010, owns securities entitling it to 49% of the distributable cash as defined in the partnership agreement of FP Canadian Newspapers Limited partnership ("FPLP"). FPLP is a limited partnership formed under the laws of British Columbia on August 9, 1999. It owns the Winnipeg Free Press, the Brandon Sun and other newspapers, printing and media businesses. The address of FPI's registered office is Suite 2900, P.O. Box 11583, 650 West Georgia Street, Vancouver, British Columbia, V6B 4N8.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including IAS 34 "Interim Financial Reporting". In accordance with GAAP, these financial statements do not include all of the financial statement disclosures required for annual financial statements and should be read in conjunction with the annual financial statements for the year ended December 30, 2017. In management's opinion, the financial statements reflect all adjustments that are necessary for a fair presentation of the results for the interim period presented.

These financial statements were approved by the Board of Directors of FPI on May 18, 2018.

Accounting Policies

The accounting policies adopted in preparation of the condensed financial statements are consistent with those followed in the preparation of FPI's annual financial statements for the year ended December 31, 2017, except for the adoption of IFRS 15 "*Revenue from Contracts with Customers*" and IFRS 9 "*Financial Instruments*" which were effective January 1, 2018. The nature and impact of the adoption of these standards is described below.

IFRS 15 - Revenue from Contracts with Customers

FPI adopted IFRS 15 "*Revenue from Contracts with Customers*" in accordance with the modified retrospective transitional approach. There were no transitional adjustments or changes to the FPI's revenue recognition policies required on adoption of this standard.

IFRS 9- Financial Instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

FPI adopted IFRS 9 "*Financial Instruments*", effective January 1, 2018. In accordance with the transitional provisions, FPI has not restated comparative information for 2017 for financial instruments within the scope of IFRS 9. Therefore, the comparative information for 2017 is reported under IAS 39 and is not comparable to the information presented for 2018 in accordance with IFRS 9. There were no transitional adjustments required on adoption of this standard. Due to the limited financial instruments held by FPI, the standard did not have an impact on the financial statements.

The measurement categories for financial assets under IAS 39, fair value through profit or loss ("FVTPL"), available for sale ("AFS"), and held-to-maturity and amortized cost) have been replaced by the following categories under IFRS 9:

- Debt instruments at amortized cost;
- Debt instruments at fair value through other comprehensive income ("FVOCI"), with gains or losses recycled to profit or loss on derecognition;
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition;

FP Newspapers Inc.
Notes to Condensed Financial Statements at March 31, 2018
(unaudited, in thousands of Canadian dollars)

- Financial assets at FVTPL

Under IFRS 9, the classification of debt instruments is based on two criteria: FPI’s business model for managing the assets; and whether the assets’ contractual cash flows represent solely payments of principal and interest on the principal amount outstanding (the ‘SPPI criterion’). The assessment of a FPI’s business models and contractual cash flows of debt instruments is made as of the date of initial application.

Under IFRS 9, equity instruments are generally classified as FVTPL. For equity instruments that are not held for trading, FPI can make an irrevocable election on initial recognition to classify the instrument as FVOCI with no recycling of gains or losses to profit or loss on derecognition. This election is available on an instrument-by-instrument basis.

Other financial liabilities

The accounting for the FPLP’s financial liabilities remains the same as it was under IAS 39. Other financial liabilities will continue to be measured at amortized cost using the effective interest rate method.

3. INVESTMENT IN FP CANADIAN NEWSPAPERS LIMITED PARTNERSHIP

FPI holds all of the Class A limited partner units of FPLP, which entitles it to 49% of the distributable cash, as defined in the Partnership Agreement of FPLP.

The investment in FPLP is summarized as follows:

| | Class A limited partner units |
|---|--|
| Balance at December 30, 2016 | \$ 8,782 |
| Equity interest in net earnings and comprehensive income for the year ended December 30, 2017 | 569 |
| Non-cash write-down of investment in FP Canadian Newspapers Limited Partnership Class A limited partner units | (2,940) |
| Balance at December 30, 2017 | \$ 6,411 |
| Equity interest in net (loss) and comprehensive (loss) for the three months ended March 31, 2018 | (110) |
| Balance at March 31, 2018 | \$ 6,301 |

FP Newspapers Inc.
Notes to Condensed Financial Statements at March 31, 2018
(unaudited, in thousands of Canadian dollars)

The equity interest from FPI's investment in Class A limited partner units and the equity interest in the other comprehensive income (loss) of FPLP are calculated as follows:

| | 2018 | 2017 |
|---|----------------|--------------|
| Net (loss) earnings of FPLP | \$ (110) | \$ 621 |
| Interest attributable to FPI | 49% | 49% |
| Equity interest in net (loss) earnings of FPLP | (54) | 305 |
| Other comprehensive (loss) income of FPLP | (114) | 20 |
| Interest attributable to FPI | 49% | 49% |
| Equity interest in other comprehensive income (loss) of FPLP | \$ (56) | \$ 10 |

4. FINANCIAL INSTRUMENTS

The fair value of current assets and liabilities including cash and cash equivalents and accounts payable and accrued liabilities approximates their carrying value due to the short-term nature of these financial instruments.

FPI does not carry any assets or liabilities at fair value, and therefore does not prepare a fair value hierarchy.



FP Canadian Newspapers Limited Partnership

Consolidated Financial Statements

For the Three Months ended March 31, 2018

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

| | Note | As at March 31, 2018 | As at December 31, 2017 |
|--|------|----------------------------|-------------------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | | \$ 7,542 | \$ 6,698 |
| Accounts receivable | | 5,823 | 6,399 |
| Inventories | | 1,191 | 1,034 |
| Prepaid expenses and other assets | | 1,130 | 1,230 |
| | | 15,686 | 15,361 |
| LONG-TERM ASSETS | | | |
| Property, plant and equipment | | 25,922 | 26,581 |
| Intangible assets | | 5,956 | 6,041 |
| Goodwill | | 3,350 | 3,350 |
| TOTAL ASSETS | | \$ 50,914 | \$ 51,333 |
| CURRENT LIABILITIES | | | |
| Accounts payable and accrued liabilities | | \$ 5,049 | \$ 5,207 |
| Prepaid subscriptions and deferred revenue | | 2,726 | 2,673 |
| Finance lease obligation | | 801 | 820 |
| Mortgage loan | | 61 | 61 |
| Term loan | 6 | 1,000 | 1,000 |
| | | 9,637 | 9,761 |
| LONG-TERM LIABILITIES | | | |
| Accrued pension benefit liability | | 2,216 | 2,097 |
| Finance lease obligation | | 454 | 638 |
| Mortgage loan | | 786 | 801 |
| Term loan | 6 | 24,936 | 24,927 |
| TOTAL LIABILITIES | | 38,029 | 38,224 |
| UNITHOLDERS' EQUITY | | | |
| Partner units | | 98,280 | 98,280 |
| Deficit | | (85,395) | (85,171) |
| TOTAL UNITHOLDERS' EQUITY | | 12,885 | 13,109 |
| TOTAL LIABILITIES AND UNITHOLDERS' EQUITY | | \$ 50,914 | \$ 51,333 |

(See accompanying notes)

FP Canadian Newspapers Limited Partnership
Condensed Consolidated Statements of Earnings (Loss) and Statements of Comprehensive Income
(Loss)

(unaudited, in thousands of Canadian dollars)

| | Note | Three Months Ended March 31, | |
|---|------|------------------------------|---------------|
| | | 2018 | 2017 |
| Revenue | | | |
| Print Advertising | | \$ 8,811 | \$ 10,332 |
| Circulation | | 5,746 | 5,982 |
| Commercial Printing | | 866 | 1,134 |
| Digital | | 474 | 572 |
| Promotion and services | | 173 | 198 |
| TOTAL REVENUE | | 16,070 | 18,218 |
| Operating expenses | | | |
| Employee compensation | | 7,639 | 8,016 |
| Newsprint and other paper | | 1,388 | 1,538 |
| Delivery | | 3,030 | 3,252 |
| Other | | 3,121 | 3,520 |
| Depreciation and amortization | | 748 | 791 |
| Restructuring charge | | 5 | 188 |
| OPERATING INCOME | | 139 | 913 |
| Interest income | | 21 | 21 |
| Finance costs | 4 | (270) | (313) |
| NET EARNINGS (LOSS) FOR THE PERIOD | | \$ (110) | \$ 621 |
| Items that will not be reclassified subsequently to net earnings: | | | |
| Remeasurements for defined benefit pension plan | | (114) | 20 |
| COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD | | \$ (224) | \$ 641 |

(See accompanying notes)

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

| | Partner Units | Deficit | Total Unitholders' Equity |
|---|------------------|-------------|---------------------------------|
| UNITHOLDERS' EQUITY – DECEMBER 31, 2016 | \$ 98,280 | \$ (80,333) | \$ 17,947 |
| Net earnings for the period | - | 621 | 621 |
| Other comprehensive income for the period | - | 20 | 20 |
| Comprehensive income for the period | - | 641 | 641 |
| UNITHOLDERS' EQUITY – MARCH 31, 2017 | \$ 98,280 | \$ (79,692) | \$ 18,588 |
| UNITHOLDERS' EQUITY – DECEMBER 31, 2017 | \$ 98,280 | \$ (85,171) | \$ 13,109 |
| Net loss for the period | - | (110) | (110) |
| Other comprehensive loss for the period | - | (114) | (114) |
| Comprehensive loss for the period | - | (224) | (224) |
| UNITHOLDERS' EQUITY – MARCH 31, 2018 | \$ 98,280 | \$ (85,395) | \$ 12,885 |

(See accompanying notes)

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

Three Months Ended March 31,
2018 **2017**

| CASH PROVIDED BY (USED IN): | | |
|--|-----------------|------------------|
| OPERATING ACTIVITIES | | |
| Net earnings (loss) for the period | \$ (110) | \$ 621 |
| Items not affecting cash: | | |
| Depreciation and amortization | 748 | 791 |
| Accretion of deferred financing costs | 9 | 9 |
| Excess of pension contributions over expense | (242) | (823) |
| | 405 | 598 |
| Net change in non-cash working capital items | 661 | 2,660 |
| | 1,066 | 3,258 |
| INVESTING ACTIVITIES | | |
| Purchases of property, plant and equipment | (4) | (7) |
| Purchase of intangibles | - | (34) |
| | (4) | (41) |
| FINANCING ACTIVITIES | | |
| Principal repayments of finance lease | (203) | (246) |
| Principal repayments of mortgage loan | (15) | (15) |
| Principal repayment of term loan | - | (2,000) |
| | (218) | (2,261) |
| INCREASE IN CASH AND CASH EQUIVALENTS | 844 | 956 |
| CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD | 6,698 | 9,970 |
| CASH AND CASH EQUIVALENTS - END OF PERIOD | \$ 7,542 | \$ 10,926 |
| Supplemental Cash Flow Information: | | |
| Interest paid during the period | \$ 253 | \$ 300 |
| Interest received during the period | 19 | 19 |

(See accompanying notes)

FP Canadian Newspapers Limited Partnership
Notes to the Condensed Consolidated Financial Statements as at March 31, 2018
(unaudited, in thousands of Canadian dollars)

1. GENERAL INFORMATION

FP Canadian Newspapers Limited Partnership (“FPLP”) is a limited partnership formed on August 9, 1999 in accordance with the laws of British Columbia. FPLP publishes, prints and distributes daily and weekly newspapers and specialty publications, delivers advertising materials in the Manitoba market and provides commercial printing services. The address of the registered office of its managing general partner, FPCN General Partner Inc. is Suite 2900, P.O. Box 11583, 650 West Georgia Street, Vancouver, British Columbia, V6B 4N8.

These condensed consolidated financial statements include the operating businesses owned by FPLP. The managing general partner of FPLP is FPCN General Partner Inc. (“FPGP”). These consolidated 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.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim financial statements, including IAS 34 “Interim Financial Reporting”. In accordance with GAAP, these financial statements do not include all of the financial statement disclosures required for annual financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2017. In management’s opinion, the financial statements reflect all adjustments that are necessary for a fair presentation of the results for the interim period presented.

These interim condensed consolidated financial statements were approved by the Board of Directors of FPGP on May 18, 2018.

FPLP’s advertising revenue is seasonal. Advertising revenue and accounts receivable are highest in the second and fourth fiscal quarters, while expenses are relatively constant throughout the fiscal year.

Accounting Policies

The accounting policies adopted in preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the FPLP’s annual consolidated financial statements for the year ended December 31, 2017, except for the adoption of IFRS 15 “*Revenue from Contracts with Customers*” and IFRS 9 “*Financial Instruments*” which were effective January 1, 2018. The nature and impact of the adoption of these standards is described below.

IFRS 15 - Revenue from Contracts with Customers

FPLP adopted IFRS 15 “Revenue from Contracts with Customers” in accordance with the modified retrospective transitional approach. There were no transitional adjustments or changes to the FPLP’s revenue recognition policies required on adoption of this standard. As the FPLP’s contracts with customers are for a term of one year or less, FPLP applied the practical expedient to expense incremental contract costs.

IFRS 9 - Financial Instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

FPLP adopted IFRS 9 “*Financial Instruments*”, effective January 1, 2018. In accordance with the transitional provisions, FPLP has not restated comparative information for 2017 for financial instruments within the scope of IFRS 9. Therefore, the comparative information for 2017 is reported under IAS 39 and is not comparable to the information presented for 2018 in accordance with IFRS 9. There were no transitional adjustments required on adoption of this standard.

FP Canadian Newspapers Limited Partnership
Notes to the Condensed Consolidated Financial Statements as at March 31, 2018
(unaudited, in thousands of Canadian dollars)

The measurement categories for financial assets under IAS 39, fair value through profit or loss (“FVTPL”), available for sale (“AFS”), and held-to-maturity and amortized cost have been replaced by the following categories under IFRS 9:

- Debt instruments at amortized cost;
- Debt instruments at fair value through other comprehensive income (“FVOCI”), with gains or losses recycled to profit or loss on derecognition;
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition;
- Financial assets at FVTPL

Under IFRS 9, the classification of debt instruments is based on two criteria: FPLP’s business model for managing the assets; and whether the assets’ contractual cash flows represent solely payments of principal and interest on the principal amount outstanding (the ‘SPPI criterion’). The assessment of a FPLP’s business models and contractual cash flows of debt instruments is made as of the date of initial application.

Under IFRS 9, equity instruments are generally classified as FVTPL. For equity instruments that are not held for trading, FPLP can make an irrevocable election on initial recognition to classify the instrument as FVOCI with no recycling of gains or losses to profit or loss on derecognition. This election is available on an instrument-by-instrument basis.

Debt instruments at amortized cost

On adoption of IFRS 9, the FPLP’s loans and receivables will continue to be subsequently measured at amortized cost, as these assets are held in order to collect contractual cash flows and the contractual terms give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding. Loans and receivables are initially recognized at fair value plus transaction costs and subsequently measured at amortized cost using the effective interest method less any impairment.

Other financial liabilities

The accounting for FPLP’s financial liabilities remains the same as it was under IAS 39. Other financial liabilities will continue to be measured at amortized cost using the effective interest rate method.

Impairment

For trade and other receivables, FPLP has applied the standard’s simplified approach and has calculated expected credit losses based on lifetime expected credit losses. FPLP has established a provision matrix that is based on the FPLP’s historical credit loss experience, adjusted for forward-looking factors specific to the customers and the economic environment. There are no significant differences between the ending impairment allowances for trade and other receivables under IAS 39 and the opening loss allowance under IFRS 9.

3. EMPLOYEE FUTURE BENEFIT PLANS

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

| | Three Months Ended March 31, | |
|------------------------------|-------------------------------------|-------------|
| | 2018 | 2017 |
| Defined benefit pension plan | \$ 412 | \$ 326 |

4. FINANCE COSTS

| | Three Months Ended March 31, | |
|---|-------------------------------------|---------------|
| | 2018 | 2017 |
| Finance Costs | | |
| Interest on finance leases | 11 | 18 |
| Interest on mortgage loan | 9 | 8 |
| Interest on term loan | 241 | 278 |
| Accretion of term loan related to financing costs | 9 | 9 |
| | \$ 270 | \$ 313 |

FP Canadian Newspapers Limited Partnership
Notes to the Condensed Consolidated Financial Statements as at March 31, 2018
(unaudited, in thousands of Canadian dollars)

5. RELATED PARTY TRANSACTION

Total newsprint purchases from Alberta Newsprint Company, a company controlled indirectly by Ronald Stern, for the three months ended March 31, 2018 were \$1,160,000 (\$1,200,000 for the three months ended March 31, 2017).

6. LONG-TERM DEBT

The long-term debt agreement with HSBC Bank Canada matures on January 31, 2020. Principal repayments of \$1,000,000 are due on the first of June each year and a cash sweep is payable no later than 90 days after the end of each fiscal year. The cash sweep is equal to the lesser of \$3,500,000 or 25% of FPLP's annual distributable cash as defined in the agreement. In addition to the \$483,000 cash sweep payment made on March 31, 2017 for the 2016 fiscal year, a voluntary repayment of \$1,517,000 was made and a voluntary early principal repayment was made in November 2017 in the amount of \$7,000,000, which eliminates the need for a cash sweep repayment at March 31, 2018. The maximum principal balance under the agreement is \$20,000,000 on January 31, 2020. The renewal agreement includes negative covenants which must be observed in order to avoid an accelerated termination of the agreement, including a covenant in favour of HSBC not to pay distributions which exceed distributable cash by more than \$1,000,000 in any fiscal year, as well as a covenant not to amend the share capital or permit changes to the beneficial ownership of FPLP. The Loan is secured by substantially all of the assets of FPLP.

7. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of current assets and liabilities including cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximates their carrying value due to the short-term nature of these financial instruments. The fair value of the HSBC term loan, based on Level 3 fair value hierarchy inputs, is approximately \$26,000,000 (2017 \$34,000,000). The fair value of the mortgage loan, based on Level 3 fair value hierarchy inputs, approximates its carrying value.

The fair value of long term debt and mortgage loan has been calculated by discounting the expected cash flows of each debt using a discount rate of 3.55% and 3.75%, respectively. The discount rate is determined using a risk free benchmark bond yield for instruments of similar maturity adjusted for the Company's specific credit risk. In determining the adjustment for credit risk, the Company considers market conditions, the underlying values of properties and other assets secured by the associated loan and other indicators of the Company's credit worthiness.

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

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this management's discussion and analysis may constitute forward-looking statements within the meaning of applicable securities laws. 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", "forecast", "is budgeting for" 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 Corporation 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 are not limited to, the current general economic uncertainty, 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, the availability of an extension or refinancing of FPLP's term loan facilities, costs related to capital expenditures, cyclical and seasonal variations in FPLP's revenues, the risk of 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 in our Annual Financial Statements dated March 17, 2018, 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 Corporation 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.