

FP NEWSPAPERS INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 30, 2022 AND 2021



Independent auditor's report

To the Shareholders of FP Newspapers Inc.

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of FP Newspapers Inc. (the Company) as at December 30, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's financial statements comprise:

- the balance sheets as at December 30, 2022 and 2021;
- the statements of comprehensive income for the years then ended;
- the statements of changes in equity for the years then ended;
- the statements of cash flows for the years then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 30, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Key audit matter	How our audit addressed the key audit matter
Valuation of the investment in FP Canadian Newspapers LP <i>Refer to note 2 – Significant accounting policies, note 3 – Investment in FP Canadian Newspapers LP and note 4 – Critical accounting estimates and judgments to the financial statements.</i> The Company had an investment in FP Canadian Newspapers LP amounting to \$8.3 million as at December 30, 2022. Management assesses at each reporting date whether there is any objective evidence that its interests in FP Canadian Newspapers LP are impaired. An impairment loss is recorded when the recoverable amount of the investment is less than its carrying value. The recoverable amount was determined based on a fair value less cost of disposal method by applying a market multiple to FP Canadian Newspapers LP's trailing 12 months' operating income before depreciation and amortization, restructuring charge, and impairment of intangible assets less disposal costs (the model). The key assumption used by management in the model is the market multiple. Management determined this key assumption based on an average of market multiples for comparable entities. As at December 30, 2022, management determined that no impairment existed in its investment in FP Canadian Newspapers LP. We considered this a key audit matter due to the judgment by management in developing the key assumption to determine the recoverable amount of the investment in FP Canadian Newspapers LP. This has resulted in a high degree of subjectivity and audit effort in performing audit procedures to test the recoverable amount determined by management.	Our approach to addressing the matter included the following procedures, among others: • Tested how management determined the recoverable amount of the investment in FP Canadian Newspapers LP, which included the following: – Evaluated the appropriateness of the fair value less costs of disposal method used by management. – Assessed the reasonability of the market multiple used by management by comparing it to comparable company trading multiples within the industry, and recent transactions, where applicable. – Tested the underlying data of the model.



Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



The engagement partner on the audit resulting in this independent auditor's report is Nicole Murray.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Winnipeg, Manitoba
April 19, 2023

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

	Note	As at December 30, 2022	As at December 30, 2021
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		\$ 106	\$ 289
Accounts receivable		3	3
Prepaid expenses		7	7
Income taxes recoverable		14	-
		130	299
LONG-TERM ASSETS			
Investment in FP Canadian Newspapers LP	3	8,328	8,486
TOTAL ASSETS		\$ 8,458	\$ 8,785
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		\$ 49	\$ 49
Income taxes payable		-	631
		49	680
LONG-TERM LIABILITIES			
Deferred income tax liability	7	292	292
TOTAL LIABILITIES		341	972
SHAREHOLDERS' EQUITY			
Share capital	5	71,373	71,373
Deficit		(63,256)	(63,560)
TOTAL SHAREHOLDERS' EQUITY		8,117	7,813
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 8,458	\$ 8,785

(See accompanying notes)

Approved by the Board of Directors

ROBERT SILVER
Director

STEPHEN DEMBROSKI
Director

FP Newspapers Inc.
Statements of Comprehensive Income
For the Years Ended December 30, 2022 and 2021
(in thousands of Canadian dollars except per share amounts)

	Note	2022	2021
Equity interest in FP Canadian Newspapers LP Income	3	\$ 884	\$ 1,026
Administration expenses		(196)	(180)
Other income		3	1
Net income before income taxes		691	847
Current income tax expense	7	(387)	(470)
Deferred income tax recovery	7	-	489
Income and comprehensive income for the period		\$ 304	\$ 866
Weighted average number of Common Shares outstanding	5	6,902,592	6,902,592
Income per share – basic and diluted		\$ 0.044	\$ 0.125

(See accompanying notes)

FP Newspapers Inc.
Statements of Changes in Equity
For the Years Ended December 30, 2022 and 2021
(in thousands of Canadian dollars)

		Share Capital	Deficit	Total Shareholders' Equity
At December 30, 2020	\$	71,373	\$ (64,426)	\$ 6,947
Income and comprehensive income for the period		-	866	866
At December 30, 2021	\$	71,373	\$ (63,560)	\$ 7,813
Income and comprehensive income for the period		-	304	304
At December 30, 2022	\$	71,373	\$ (63,256)	\$ 8,117

(See accompanying notes)

FP Newspapers Inc.
Statements of Cash Flows
For the Years Ended December 30, 2022 and 2021
(in thousands of Canadian dollars)

	Note	2022	2021
Cash provided by (used in):			
Operating activities			
Income for the period		\$ 304	\$ 866
Items not affecting cash:			
Equity interest from Class A Units of FP Canadian Newspapers LP	3	(884)	(1,026)
Deferred income tax (recovery) expense	7	-	(489)
Distributions received on Class A units of FP Canadian Newspapers LP		1,042	655
Net change in non-cash working capital items		(645)	222
(Decrease) Increase in cash and cash equivalents		\$ (183)	\$ 228
Cash and cash equivalents – beginning of period		289	61
Cash and cash equivalents – end of period		\$ 106	\$ 289
Supplemental Cash Flow information:			
Income tax paid during the period		\$ 1,034	\$ 249

(See accompanying notes)

FP Newspapers Inc.
Notes to Financial Statements
For the Years Ended December 30, 2022 and 2021
(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, is the successor to the business of FP Newspapers Income Fund (the "Fund"). FPI's year end is December 30. The Fund was an unincorporated limited-purpose trust established under the laws of Ontario on May 15, 2002 to invest in securities issues by FP Canadian Newspapers Limited Partnership ("FPLP"). In response to changes in the tax treatment of income trusts, the trustees of the Fund determined that it would be in the best interests of the Fund and its unitholders to convert the Fund from a trust to a corporation pursuant to a plan of arrangement (the "conversion"). Effective on December 31, 2010, all of the outstanding units of the Fund were exchanged on a one-for-one basis for common shares of FPI which were listed on the Toronto Stock Exchange under the symbol FP until November 21, 2016. Effective November 22, 2016 FPI's shares commenced trading on the TSX Venture Exchange after voluntary delisting of its shares from the Toronto Stock Exchange. FPI owns securities entitling it to 49% of the distributable cash as defined in the partnership agreement of 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.

2. SIGNIFICANT ACCOUNTING POLICIES

FPI prepares its financial statements in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP") – Part 1 as set out in the CPA Canada Handbook – Accounting ("CPA Handbook"). Part 1 of the CPA Handbook incorporates International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

These financial statements were approved by the Board of Directors of FPI on April 19, 2023.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying FPI's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise noted.

(continues)

FP Newspapers Inc.
Notes to Financial Statements
For the Years Ended December 30, 2022 and 2021
(in thousands of Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

a) BASIS OF MEASUREMENT

The financial statements have been prepared under the historical cost convention.

b) INVESTMENTS IN ASSOCIATES

Associates are entities over which FPI has significant influence, but not control. The financial results of investments in its associates are included in FPI's results according to the equity method of accounting. Subsequent to the acquisition date, FPI's share of profits or losses of associates is recognized in the statement of income and its share of other comprehensive income of associates is included in other comprehensive income.

Unrealized gains on transactions between FPI and an associate are eliminated to the extent of FPI's interest in the associate. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Dilution gains and losses arising from changes in interests in investments in associates are recognized in the statement of income.

FPI assesses at each reporting date whether there is any objective evidence that its interests in associates are impaired. If impaired, the carrying value of the investment in an associate is written down to its estimated recoverable amount (being the higher of fair value less cost of disposal and value in use) and charged to the statement of income (loss). A reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

c) CASH AND CASH EQUIVALENTS

Cash equivalents comprise only highly liquid investments with maturities at acquisition of less than 90 days and which are subject to insignificant risk of changes in value and are recorded at amortized cost, which approximates market value.

d) FINANCIAL INSTRUMENTS

All financial assets are included in the measurement category of amortized cost as such financial assets are with a business model to collect contractual cash flows and those cash flows are solely payments of principal and interest on the principal outstanding. Accordingly, cash and cash equivalents and accounts receivable are measured at amortized cost using the effective interest method. Accounts payable and accrued liabilities are also measured at amortized cost using the effective interest method.

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2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

e) INCOME TAXES

The income tax expense for the year comprises current and deferred tax. Tax is recognized in the statements of earnings (loss), except to the extent that it relates to items recognized in other comprehensive income (loss) or directly in equity. In this case the tax is also recognized in other comprehensive income (loss) or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. FPI establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authority.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

The income tax basis for the investment in FPLP and FPCN General Partner Inc. is determined in a manner that is consistent with its expected recovery. As FPI expects to recover the investment by receiving distributions from the investee, the tax basis represents the sum of the investor's share of the tax bases of the underlying assets and liabilities of the investee.

f) DIVIDENDS

Dividends are recognized in FPI's financial statements in the period in which the dividends are approved by the Board of Directors.

g) SHARE CAPITAL

FPI share capital is classified as equity. Incremental costs directly attributable to their issuance are recognized as a deduction from equity.

h) EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net earnings for the period attributable to equity owners of FPI by the weighted average number of shares outstanding during the year. Diluted earnings per share are calculated by adjusting the weighted average number of shares outstanding and corresponding earnings impact for dilutive instruments. No dilutive instruments were outstanding during the years presented.

FP Newspapers Inc.
Notes to Financial Statements
For the Years Ended December 30, 2022 and 2021
(in thousands of Canadian dollars)

3. INVESTMENT IN FP CANADIAN NEWSPAPERS LP

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, 2020	\$	8,116
Equity interest in net income for the year ended December 30, 2021		1,025
Distributions received for the year ended December 30, 2021		(655)
Balance at December 30, 2021	\$	8,486
Equity interest in net income for the year ended December 30, 2022		884
Distributions received for the period ended December 30, 2022		(1,042)
Balance at December 30, 2022	\$	8,328

The equity interest in net income from FPI's investment in Class A limited partner units is calculated as follows:

		2022		2021
Income and comprehensive income of FPLP	\$	1,805	\$	2,093
Interest attributable to FPI		49%		49%
Equity interest in net income of FPLP		884		1,026

FPLP has a year-end of December 31, 2022. FPI has equity accounted for FPLP as at and for the year ended December 31, 2022 for convenience purposes as the impact was not material.

FPI determined that as a result of industry trends of declining revenues and profitability, objective evidence of impairment existed in its investment in FPLP. Management has, therefore, performed an assessment of the recoverable amount of its investment in FPLP as at December 31, 2022. The recoverable amount, based on fair value less costs to dispose of the investment was determined by applying a market multiple of 4.0 to FPLP's trailing 12 months' operating income before depreciation, amortization, restructuring charge, and impairment of intangible assets less disposal costs. The market multiple is based on an average of market multiples for comparable companies and is considered to be a key assumption. The market multiple is also a level 3 input within the IFRS 13 fair value hierarchy. Based on the assessment, FPI determined that no impairment existed in its investment in FPLP.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these financial statements requires FPI to use judgment in applying its accounting policies and make estimates and assumptions about future events. Estimates and other judgments are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. The following discusses the most significant accounting judgments and estimates that FPI has made in the preparation of the financial statements:

Investment in FPLP

FPI has determined that the most significant estimate relates to the impairment considerations related to its investment in FPLP (note 3). The method which FPI bases its impairment assessment of FPLP is described in note 3.

5. SHARE CAPITAL

The articles of incorporation of FPI provide that an unlimited number of common shares and one voting preferred share may be issued. Each common share is transferable and represents an equal undivided beneficial interest in any dividends of FPI and in the net assets of FPI in the event of termination or winding up of FPI. All common shares have equal rights and privileges. Each common share entitles the holder thereof to participate equally in the allocations and distributions and to one vote at all meetings of FPI shareholders for each share held. The common shares issued are not subject to future calls or assessments. As at December 30, 2022, 6,903 Common Shares were issued with a paid-up share capital amount of \$71,373. The preferred share is held by FPCN Media Management Ltd. ("FPCN"). The preferred share entitles the holder the right to elect one-third of FPI's directors but does not entitle the holder thereof to any economic rights as a common shareholder of FPI. If and when Canstar Publications Ltd. and Kimberly Anne Holdings Ltd. (the General Partners of FPLP) cease to own at least ten percent of the outstanding partnership units of FPLP, the preferred share held by FPCN will automatically be redeemed by FPI for a redemption price of one dollar and be cancelled.

6. INDEMNIFICATIONS

FPI has agreed to indemnify its current and former trustees and officers to the extent permitted by law against any and all charges, costs, expenses, amounts paid in settlement and damages incurred by the trustees and officers as a result of any lawsuit or any other judicial, administrative or investigative proceeding in which the trustees and officers are sued as a result of their service. These indemnification claims will be subject to any statutory or other legal limitation period. The nature of such indemnification prevents FPI from making a reasonable estimate of the maximum potential amount it could be required to pay to counterparties. FPI has directors' and officers' liability insurance coverage, pursuant to a joint policy covering FPCN General Partner Inc., FPLP and FPI, of up to \$10 million in joint coverage.

FP Newspapers Inc.
Notes to Financial Statements
For the Years Ended December 30, 2022 and 2021
(in thousands of Canadian dollars)

7. INCOME TAXES

Income tax expense is made up of the following:

	2022	2021
Current income tax expense	\$ (387)	\$ (470)
Deferred income tax recovery	-	489
Income tax (expense) recovery recognized in net income	(387)	19
Deferred income tax recovery recognized in OCI	-	-

The income tax (expense) recovery reflects an effective income tax rate which differs from its combined Canadian federal and provincial statutory income tax rate as follows:

	2022	2021
Income tax (expense) at combined Canadian statutory income tax rate of 27.0% (2020 - 27.0%)	\$ (187)	\$ (229)
Adjustments in respect of prior year	(42)	370
Other	(158)	(122)
Total income tax (expense) recovery	\$ (387)	\$ 19

(continues)

FP Newspapers Inc.
Notes to Financial Statements
For the Years Ended December 30, 2022 and 2021
(in thousands of Canadian dollars)

7. INCOME TAXES *(continued)*

Deferred taxes

Based on FPI's assets and liabilities as at December 30, 2022 and 2021, and its share of the assets and liabilities of its investment in FPLP, FPI's deferred tax assets and liabilities and the movement during the year are attributable to the following:

	December 30, 2021	Recognized in Net Income	Recognized in other comprehensive income	December 30, 2022
Property, plant and equipment	\$ 1,283	\$ (428)	\$ -	\$ 855
Assets held for sale	(3)	-	-	(3)
Intangible assets	314	24	-	338
Goodwill	(1,428)	126	-	(1,302)
Pension benefit obligation	-	-	-	-
Other, including unrecognized deferred tax assets	126	278	-	404
Total deferred income tax liabilities (asset)	\$ 292	\$ -	\$ -	\$ 292

	December 30, 2020	Recognized in Net Income	Recognized in other comprehensive income	December 30, 2021
Property, plant and equipment	\$ 1,609	\$ (326)	\$ -	\$ 1,283
Assets held for sale	-	(3)	-	(3)
Intangible assets	255	59	-	314
Goodwill	(1,342)	(86)	-	(1,428)
Other, including unrecognized deferred tax assets	259	(133)	-	126
Total deferred income tax liabilities (asset)	\$ 781	\$ (489)	\$ -	\$ 292

In 2021, FPI recognized an adjustment to its net deferred tax liability relating to eligible capital expenditures, and historical goodwill and intangible assets of FPLP. The non-cash adjustment resulted in a deferred tax recovery of \$489.

Unrecognized deferred tax assets

Deferred tax assets in the amount of \$8,804 (December 30, 2021 - \$8,704) have not been recognized in respect of FPI's investment in FPLP as it is not probable that the temporary difference will reverse in the foreseeable future.

FP Newspapers Inc.
Notes to Financial Statements
For the Years Ended December 30, 2022 and 2021
(in thousands of Canadian dollars)

8. CAPITAL MANAGEMENT

FPI was established for the purpose of investing in the securities of FPLP which entitle it to 49% of the distributable cash, as defined in the partnership agreement of FPLP. FPI does not have a capital management program given its limited purpose.

9. 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. FPI does not carry any assets or liabilities at fair value.

FP CANADIAN NEWSPAPERS LIMITED PARTNERSHIP

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021



Independent auditor's report

To the Unitholders of FP Canadian Newspapers Limited Partnership

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of FP Canadian Newspapers Limited Partnership (the Partnership) as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Partnership's financial statements comprise:

- the balance sheets as at December 31, 2022 and 2021;
- the statements of comprehensive income for the years then ended;
- the statements of changes in equity for the years then ended;
- the statements of cash flows for the years then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

PricewaterhouseCoopers LLP
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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Partnership's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Partnership or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Partnership's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting



a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Partnership's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Partnership to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Winnipeg, Manitoba
April 19, 2023

FP Canadian Newspapers Limited Partnership**Balance Sheets**

(in thousands of Canadian dollars)

	Note	As at December 31, 2022	As at December 31, 2021
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	\$ 10,955	\$ 7,422
Accounts receivable	15	3,324	3,134
Due from related parties	6	1,193	994
Assets held for sale	3	475	776
Inventories		1,177	825
Prepaid expenses and other assets		681	851
		17,805	14,002
LONG-TERM ASSETS			
Property, plant and equipment	3, 19	20,668	17,016
Right of use assets	4	446	378
Intangible assets	5	2,792	2,602
TOTAL ASSETS		\$ 41,711	\$ 33,998
LIABILITIES AND UNITHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	15	\$ 5,690	\$ 6,233
Prepaid subscriptions and deferred revenue		2,963	3,074
Lease obligation	4	263	98
Term loan	7, 16	2,264	1,000
		11,180	10,405
LONG-TERM LIABILITIES			
Lease obligation	4	249	280
Term loan	7, 16	13,261	5,969
TOTAL LIABILITIES		24,690	16,654
UNITHOLDERS' EQUITY			
Partner units	8	98,280	98,280
Deficit		(81,259)	(80,936)
TOTAL UNITHOLDERS' EQUITY		17,021	17,344
TOTAL LIABILITIES AND UNITHOLDERS' EQUITY		\$ 41,711	\$ 33,998

(Commitments and contingencies Note 11)

(See accompanying notes)

Approved by the Board of Directors of the Managing General PartnerROBERT SILVER
DirectorSTEPHEN DEMBROSKI
Director

FP Canadian Newspapers Limited Partnership
Statements of Comprehensive Income
For the Years Ended December 31, 2022 and 2021
(in thousands of Canadian dollars)

	Note	2022	2021
Revenue			
Print Advertising		\$ 24,147	\$ 23,659
Circulation		24,066	24,848
Digital advertising		3,592	2,299
Other		4,948	3,949
TOTAL REVENUE		56,753	54,755
Operating expenses			
Employee compensation	6, 18	23,976	23,202
Newsprint and other paper		4,103	3,903
Delivery		9,832	9,958
Production		6,169	5,525
Other		5,685	5,479
Depreciation and amortization	3, 4, 5	5,305	3,146
OPERATING INCOME BEFORE UNDERNOTED ITEMS		1,683	3,542
Restructuring charge	19	(159)	(1,213)
Impairment of intangible assets	5	(89)	-
OPERATING INCOME		1,435	2,329
Other income	9	70	8
Finance costs	9	(434)	(244)
Gain on disposal of fixed assets	3, 9	734	-
INCOME AND COMPREHENSIVE INCOME FOR THE YEAR		\$ 1,805	\$ 2,093

(See accompanying notes)

FP Canadian Newspapers Limited Partnership
Statements of Changes in Equity
For the Years Ended December 31, 2022 and 2021
(in thousands of Canadian dollars)

	Note	Partner Units	Deficit	Total Unitholders Equity
UNITHOLDERS' EQUITY –				
DECEMBER 31, 2020		\$ 98,280	\$ (81,688)	\$ 16,592
Income and comprehensive income for the year		-	2,093	2,093
Partner contributions		1,120	-	1,120
Partner distributions		-	(1,341)	(1,341)
Partner return of capital		(1,120)	-	(1,120)
UNITHOLDERS' EQUITY –				
DECEMBER 31, 2021		\$ 98,280	\$ (80,936)	\$ 17,344
Income and comprehensive income for the year		-	1,805	1,805
Partner contributions	8	1,030	-	1,030
Partner distributions	8	-	(2,128)	(2,128)
Partner return of capital	8	(1,030)	-	(1,030)
UNITHOLDERS' EQUITY –				
DECEMBER 31, 2022		\$ 98,280	\$ (81,259)	\$ 17,021

(See accompanying notes)

FP Canadian Newspapers Limited Partnership
Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021
(in thousands of Canadian dollars)

	Note	2022	2021
CASH PROVIDED BY (USED IN):			
OPERATING ACTIVITIES			
Income for the year		\$ 1,805	\$ 2,093
Items not affecting cash:			
Depreciation and amortization	3, 4, 5	5,305	3,146
Accretion of deferred financing costs	9	42	28
(Gain) loss on disposal of property, plant and equipment	3, 9	(734)	2
Impairment of intangible assets	5	89	-
		6,507	5,269
Net change in non-cash working capital items		(1,275)	1,740
		5,232	7,009
INVESTING ACTIVITIES			
Purchases of property, plant and equipment	3	(8,369)	(927)
Purchase of intangibles	5	(1,002)	(794)
Proceeds from the sale of property, plant and equipment		1,462	1
		(7,909)	(1,720)
FINANCING ACTIVITIES			
Distributions paid to partners	8	(2,128)	(1,341)
Principal repayments of lease obligations		(229)	(93)
Principal repayments of mortgage loan		-	(733)
Principal repayment of term loan		(1,750)	(1,000)
Proceeds from term loan		10,335	-
Term loan refinancing costs		(18)	-
		6,210	(3,167)
INCREASE IN CASH AND CASH EQUIVALENTS		3,533	2,122
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD		7,422	5,300
CASH AND CASH EQUIVALENTS - END OF PERIOD		\$ 10,955	\$ 7,422
Supplemental Cash Flow Information:			
Interest paid during the year		\$ 334	\$ 216
Interest received during the year		57	8

(See accompanying notes)

FP Canadian Newspapers Limited Partnership
Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021
(In thousands of Canadian dollars, except as otherwise noted)

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.

These financial statements include the operating businesses owned by FPLP. The managing general partner of FPLP is FPCN General Partner Inc. ("FPGP"). These 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 Canadian Generally Accepted Accounting Principles ("Canadian GAAP") – Part 1 as set out in the CPA Canada Handbook – Accounting ("CPA Handbook"). Part 1 of the CPA Handbook incorporates International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

The financial statements were approved by the Board of Directors of FPGP on April 19, 2023.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying FPLP's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in section p.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise noted.

a) BASIS OF MEASUREMENT

The financial statements have been prepared under the historical cost convention.

b) REVENUE RECOGNITION

Revenue is recognized when control of the promised goods is transferred to the customer or when the services are performed, in an amount that reflects the consideration to be received upon exchange of those goods or services. Advertising revenue, net of agency commissions, where applicable, is recognized when the advertisements are published. Circulation revenue is recognized based on the date of publication which is also the delivery date. Subscription revenue is recognized as earned over the term of the subscription on a straight-line basis. Digital revenue is recognized when advertisements are placed on the Company's websites or when an ad-network places FPLP's customer's ads on other websites. Other digital revenue includes contract term services which are recognized on a straight-line basis. Other revenue is recognized when the related service has been performed or promised goods transferred to the customer. Amounts received relating to services to be performed in future periods are recorded as deferred revenue on the balance sheet.

(continues)

FP Canadian Newspapers Limited Partnership
Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021
(In thousands of Canadian dollars, except as otherwise noted)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

c) DISPOSALS OF NON-CURRENT ASSETS

Disposals of non-current assets are classified as held-for-sale if the carrying amount will be recovered principally through a sale transaction rather than through continued use, they are available for sale in their present condition and such sale is considered highly probable. The criteria for a sale to be considered highly probable includes a firm decision by the appropriate level of management or the Board to dispose of a group of assets, such a group of assets must be actively marketed for a price that is reasonable in relation to their current market value and there must be an expectation that such disposal will be completed within a twelve-month period. Assets held-for-sale are carried at the lower of their carrying amount and fair value less cost of disposition.

d) INVENTORIES

Inventories, primarily newsprint and printing supplies, are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method. Net realizable value is the estimated selling price in the normal course of business, less estimated selling expenses. If carrying value exceeds net realizable amount, a write-down is recognized. The write-down may be reversed in a subsequent period if the circumstances which caused it to no longer exist.

e) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to FPLP and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the statement of income during the period in which they are incurred.

Depreciation on property, plant and equipment is calculated on the straight-line basis over the estimated useful lives of the assets. The estimated useful lives are as follows:

Buildings	40 years
Building improvements	10 years
Leasehold improvements	Over remaining term of the lease
Machinery and equipment	7 - 25 years
Computer equipment, furniture and fixtures, and vehicles	4 - 10 years

FPLP allocates the amount initially recognized in respect of an item of property, plant and equipment to its significant components and depreciates separately each such component. Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate. Right of use assets are depreciated over the lease term.

(continues)

FP Canadian Newspapers Limited Partnership
Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021
(In thousands of Canadian dollars, except as otherwise noted)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

f) RIGHT OF USE ASSETS AND LEASE OBLIGATIONS

FPLP recognizes assets and liabilities for all leases with a lease term of more than 12 months. FPLP assesses at the inception of a contract whether a contract is or contains a lease based on whether the contract conveys the right to control the use of an underlying asset for a period of time in exchange for consideration. FPLP recognizes a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Assets and liabilities arising from a lease are initially measured on a present value basis. The measurements include non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if FPLP is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. FPLP uses a single discount rate for a portfolio of leases with reasonably similar characteristics.

Sale and Leaseback

For sale and leaseback transactions, FPLP applies the requirements of IFRS 15 Revenue to determine whether the transfer of the asset should be accounted for as a sale and is generally considered as such if there is no repurchase option on the asset at the end of the lease term. If the transfer of the asset is a sale, FPLP de-recognizes the underlying asset and recognizes a right-of-use asset arising from the leaseback equal to the retained portion of the previous carrying amount of the sold asset. The residual is recognized through the statement of operations as a gain on sale and leaseback of assets.

g) INTANGIBLE ASSETS

Intangible assets which are considered to have finite lives are initially recorded at cost and are subsequently amortized on a straight-line basis in the statements of income over the period of their expected useful lives as follows:

Subscriber base	15 years
News archives	10 years
Software	1 - 4 years

Residual values, method of amortization and useful lives of the assets are reviewed annually and adjusted if appropriate.

Mastheads are considered to have an indefinite life and are therefore recorded at cost and not amortized. The assessment of indefinite life is reviewed each period to determine whether the indefinite life assumption continues to be supportable. If it is deemed unsupportable the change in the useful life from indefinite to finite life is made and amortization is recognized on a prospective basis.

h) IMPAIRMENT OF NON-FINANCIAL ASSETS

Property, plant and equipment and intangible assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Long-lived assets that are not amortized are subject to an annual impairment test or more frequently if events or conditions indicate that the asset might be impaired. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units or CGUs). The recoverable amount is the higher of an asset's or CGU's fair value less costs to dispose and value in use. An impairment loss is recognized for the amount by which the asset's or CGU's carrying amount exceeds its recoverable amount.

FPLP evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

(continues)

FP Canadian Newspapers Limited Partnership
Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021
(In thousands of Canadian dollars, except as otherwise noted)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

i) **CASH AND CASH EQUIVALENTS**

For the purposes of the statements of cash flows, cash includes cash and short-term investments with maturities at the date of purchase of up to 90 days and which are subject to insignificant changes in value and are recorded at amortized cost, which approximates market value.

j) **INCOME TAXES**

FPLP is not a taxable entity, and accordingly, no provision for income taxes relating to FPLP is included in the financial statements since all income, deductions, gains, losses and credits are reportable on the tax returns of its partners.

k) **PROVISIONS**

Provisions for restructuring costs and legal claims are recognized when FPLP has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Restructuring provisions are primarily comprised of employee termination payments. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

l) **FINANCIAL INSTRUMENTS**

All financial assets are included in the measurement category of amortized cost as such financial assets are with a business model to collect contractual cash flows and those cash flows are solely payments of principal and interest on the principal outstanding. Accordingly, cash and cash equivalents and accounts receivable are measured at amortized cost using the effective interest method. Accounts payable and accrued liabilities, lease obligations and term loan are also measured at amortized cost using the effective interest method.

FPLP applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on the days past due. The expected loss rates are based on the historical payment profiles of sales and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information based on macroeconomic factors affecting the ability of the customers to settle the receivables.

m) **GOVERNMENT GRANTS**

Government grants and refundable tax credits are recognized when there is reasonable assurance that FPLP has complied with the conditions associated with the relevant government program. These programs are recorded as either a reduction to the carrying amount of the related asset or as a recovery in the statement of operations. Government grants and tax credits receivable are recorded in accounts receivables in the statement of financial position.

n) **UNITHOLDERS' EQUITY**

General Partner Units and Class A limited Partner Units are classified as equity. Incremental costs directly attributable to their issuance are recognized as a deduction from equity.

(continues)

FP Canadian Newspapers Limited Partnership
Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021
(In thousands of Canadian dollars, except as otherwise noted)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

o) DISTRIBUTIONS

Distributions to partners are recognized in FPLP's financial statements in the period in which the distributions are approved by the Board of Directors of the FPGP.

p) USE OF ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions about future events that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ significantly from those estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. The following discusses the most significant accounting judgements and estimates that management has made in the preparation of the financial statements.

Long Lived Assets

FPLP has estimated the useful life of property, plant and equipment and finite life intangible assets based on historical customer patterns, industry trends and existing competitive factors. Significant unfavourable long-term changes to these factors could result in a material impairment of the carrying value of such assets.

FPLP tests at least annually whether indefinite lived intangible assets have suffered any impairment loss, in accordance with its accounting policy. The recoverable amounts have been determined based on the higher of fair value less cost to dispose and value-in-use calculations. The principal assumptions and impairment assessments are included in note 5.

FP Canadian Newspapers Limited Partnership
Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021
(In thousands of Canadian dollars, except as otherwise noted)

3. PROPERTY, PLANT AND EQUIPMENT

	Land and building	Machinery and equipment	Computer equipment and other	Total
Cost				
At December 31, 2020	\$ 11,113	\$ 63,300	\$ 5,404	\$ 79,817
Additions	414	397	116	927
Disposals	(360)	(204)	(1,407)	(1,971)
Transfer - assets held for sale (1)	(1,006)	-	-	(1,006)
At December 31, 2021	10,161	63,493	4,113	77,767
Additions	422	7,681	264	8,367
Disposals (2)	(427)	(17)	(285)	(729)
At December 31, 2022	10,156	71,157	4,092	85,405
Accumulated depreciation				
At December 31, 2020	\$ (4,415)	\$ (50,734)	\$ (5,197)	\$ (60,346)
Depreciation	(395)	(2,162)	(48)	(2,605)
Disposals	360	204	1,406	1,970
Transfer - assets held for sale (1)	230	-	-	230
At December 31, 2021	(4,220)	(52,692)	(3,839)	(60,751)
Depreciation	(313)	(3,990)	(100)	(4,403)
Disposals (2)	115	17	285	417
At December 31, 2022	(4,418)	(56,665)	(3,654)	(64,737)
Net carrying value				
At December 31, 2021	5,941	10,801	274	17,016
At December 31, 2022	5,738	14,492	438	20,668

(1) In 2021, the Company determined that certain of its properties held will be recovered principally through a sales transaction and as a result, classified these properties as held-for-sale on the statement of financial position.

(2) During 2022, FPLP entered into a sale and leaseback transaction for land and property, for proceeds of \$839. A right of use asset of \$67 and a lease liability of \$179, along with a related gain of \$412 were recognized in 2022.

FP Canadian Newspapers Limited Partnership
Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021
(In thousands of Canadian dollars, except as otherwise noted)

4. RIGHT OF USE ASSETS AND LEASE OBLIGATIONS

	Right of Use Assets	Lease Obligations
At December 31, 2020		
Cost	\$ 312	\$
Accumulated depreciation	(25)	
Net book value	287	
Balance at beginning of year	287	287
Additions	185	185
Amortization	(94)	-
Principal payments on lease obligation	-	(105)
Interest	-	11
Closing balance, December 31, 2021	378	378
Lease obligations current portion		(98)
Non-current lease obligations		280
At December 31, 2021		
Cost	497	
Accumulated depreciation	(119)	
Net book value	378	
Balance at beginning of year	378	378
Amortization	(182)	-
Additions	250	361
Terminations	(58)	-
Adjustments	58	-
Payments on lease obligation	-	(253)
Interest	-	26
Closing balance, December 31, 2022	446	512
Lease obligations current portion		(263)
Non-current lease obligation		249
At December 31, 2022		
Cost	689	
Accumulated depreciation	(243)	
Net book value	446	

FP Canadian Newspapers Limited Partnership
Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021
(In thousands of Canadian dollars, except as otherwise noted)

5. INTANGIBLE ASSETS

	Subscriber base and Archives	Computer Software	Mastheads	Total Intangible Assets
Cost				
At December 31, 2020	\$ 5,200	\$ 3,362	\$ 2,207	\$ 10,769
Additions	-	795	-	795
Retirements	-	(1,117)	-	(1,117)
At December 31, 2021	5,200	3,040	2,207	10,447
Additions	-	1,001	-	1,001
Retirements	-	(369)	(89)	(458)
At December 31, 2022	5,200	3,672	2,118	10,990

Accumulated depreciation				
At December 31, 2020	\$ (5,199)	\$ (3,313)	\$ -	\$ (8,512)
Amortization	(1)	(449)	-	(450)
Retirements	-	1,117	-	1,117
At December 31, 2021	(5,200)	(2,645)	-	(7,845)
Amortization	-	(722)	-	(722)
Retirements	-	369	-	369
At December 31, 2022	(5,200)	(2,998)	-	(8,198)

Net carrying value

At December 31, 2021	-	395	2,207	2,602
At December 31, 2022	-	674	2,118	2,792

As part of the annual assessment, FPLP performed an impairment analysis of its indefinite lived intangible assets, which is comprised primarily of the Winnipeg Free Press masthead. The recoverable amount of the CGU is determined based on the higher of fair value less cost to dispose and value-in-use.

The recoverable amount, based on fair value less costs to dispose, was determined by applying a market multiple of 4.0 to the CGU's trailing 12 months' operating income before depreciation and amortization, restructuring charge, and impairment of intangible assets less disposal costs.

The market multiple is based on an average of market multiples for comparable companies and is considered to be a key assumption. The market multiple is also a level 3 input within the IFRS 13 fair value hierarchy. Based on the assessment, FPLP determined that no impairment existed at December 31, 2022.

During the year, FPLP wrote-off \$89 of Mastheads, a result of consolidating Canstar Mastheads from six to two.

6. DUE FROM RELATED PARTIES

This balance relates to amounts owing from the general partners of FPLP and FPI. The general partners of FPLP have agreed to pay FPLP for their respective share of the refundable tax credit for qualifying Canadian Journalism Organizations that they receive. The refundable tax credit receivable at the end of December 31, 2022 was \$1,193 (2021 - \$994).

FP Canadian Newspapers Limited Partnership
Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021
(In thousands of Canadian dollars, except as otherwise noted)

7. LONG-TERM DEBT

FPLP amended and extended its existing credit facility with HSBC Bank Canada on July 6, 2022, providing a term loan of up to \$15,585. In conjunction with amending and extending the credit facility, FPLP repaid \$1,750 (2021 - \$1,000) of principal on the original term loan. The amended credit facility matures July 6, 2026 and is to be amortized over 7 years. The term loan can be repaid anytime without penalty, in whole or in part. The term loan was fully drawn on December 31, 2022. The term loan is subject to a variable based interest rate based on a trailing 12-month debt to EBITDA leverage ratio. The credit facility is secured by all assets of the business and will be repayable in monthly instalments of \$189 plus interest commencing January 31, 2023.

The HSBC credit facility includes negative covenants which must be observed in order to avoid an accelerated termination of the agreement. These covenants include certain restrictions on paying distributions, the sale of assets, the purchase of investments and acquisitions, share capital, allowing encumbrances and certain issuances of loans or financial assistance. FPLP is restricted from making distributions which exceed distributable cash, as defined in the credit agreement, by more than \$1,000 annually. The fixed charge coverage ratio cannot fall below 2 to 1 and the net debt to EBITDA cannot exceed 3 to 1. The ratio calculation is defined in the agreement and measured quarterly on a trailing 12 month basis. Financial amounts used in the calculations are specifically defined in the credit agreement. EBITDA is substantially equivalent to operating income before depreciation and amortization, restructuring charge, and impairment of intangible assets. The financial ratios are calculated in accordance with the HSBC credit agreement on a quarterly basis and at December 31, 2022 FPLP was in compliance with all the terms and conditions of its debt agreement.

8. SHARE CAPITAL

FPLP may issue an unlimited number of general partner and limited partner Units.

	2022		2021	
	Number of Units	\$	Number of Units	\$
FPCN General Partner Inc. - managing general partner - general partner units	10	10	10	10
Canstar Publications Ltd. and Kimberly Anne Holdings Inc. - general partner units	7,184,321	32,056	7,184,321	32,056
FP Newspapers Inc. - Class A limited partner units	6,902,592	68,118	6,902,592	68,118
	14,086,923	100,184	14,086,923	100,184

FPLP's net earnings are allocated to the general partners in respect of the general partner Units and the limited partners in respect of the Class A limited partner Units in proportion to the distributions made to the partners in the year. Under the exchange agreement entered into between the holders of the general partner Units, the Class A limited partner Units and FP Newspapers Inc. ("FPI"), each general partner Unit may, at any time, at the option of the holder, be exchanged for an equal number of FPI's shares, subject to the exchange ratio and other provisions of the exchange agreement.

The Class A limited partner Units and the general partner Units are entitled to receive cash distributions equal to 49% and 51%, respectively, of FPLP's distributable cash flow as defined in the limited partnership agreement. Partner contributions were \$1,030 (2021 - \$1,120) offset by partner return of capital of \$1,030 (2021 - \$1,120). Partner distributions were \$2,128 (2021 - \$1,341) during the year.

FP Canadian Newspapers Limited Partnership
Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021
(In thousands of Canadian dollars, except as otherwise noted)

9. OTHER INCOME AND FINANCE COSTS

	2022	2021
	\$	\$
Other income		
Interest income	70	8
Gain on sale of property, plant and equipment (1)	734	-
Total other income	804	8
Finance Costs		
Interest on lease obligations	26	11
Interest on mortgage loan	-	15
Interest on term loan	366	189
Accretion of term loan related to financing costs	42	28
Total finance costs	434	244

(1) \$412 relates to a gain on a sale and leaseback transaction for land and property.

10. INCOME TAXES

The deferred income tax expense for income taxes differs from the expense that would be obtained by applying Canadian combined statutory tax rates as a result of the following:

	2022	2021
	\$	\$
Net income before income taxes	1,805	2,093
Canadian combined statutory tax rate	27%	27%
Income tax expense at the Canadian combined statutory tax rate	487	565
Income taxed in the hands of the partners	(487)	(565)
Income tax expense	-	-

11. COMMITMENTS

a) OTHER COMMITMENTS

FPLP is a steward under the Multi Material Stewardship Manitoba (MMSM) program. On December 14, 2021, an agreement was reached with MMSM to provide in-kind advertising on an annual basis as a means of settling any current and past recycling levies under the program until the end of 2025.

b) LEGAL MATTERS

FPLP is involved in various legal actions arising in the ordinary course of business. In the opinion of management, the ultimate resolution of these matters will not have a material adverse effect on FPLP's financial position, results of operations or cash flows.

FP Canadian Newspapers Limited Partnership
Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021
(In thousands of Canadian dollars, except as otherwise noted)

12. RELATED PARTY TRANSACTION

FPLP is directly controlled by FPGP, which is ultimately controlled indirectly by Ronald Stern. FPLP incurs transactions with related parties in the normal course of operations. All related party transactions are with entities directly or indirectly controlled or significantly influenced by FPLP's controlling general partners.

For the year, total newsprint purchases from Alberta Newsprint Company, a company controlled indirectly by Ronald Stern, for 2022 were \$3,442 (2021 - \$2,860). FPLP also reimbursed related parties for administration costs amounting to \$11 (2021 - \$9). At December 31, 2022, accounts payable to related parties totalled \$282 (2021 - \$315). There were no advertising sales to related parties during the year (2021 - \$Nil) and at December 31, 2022 there were no accounts receivable from related parties (2021 - \$Nil).

Transactions with key management personnel

FPLP's key management personnel have authority and responsibility for overseeing, planning, directing and controlling the activities of FPLP and consist of the Board of Directors of FPCN General Partner Inc., the managing general partner of FPLP and FPLP's senior executive management team.

Total compensation expense for key management personnel, and the composition thereof is as follows:

	2022	2021
	\$	\$
Salaries and bonuses	1,135	929
Post-retirement pension benefits	62	76
	1,197	1005

13. EMPLOYEE BENEFIT PLAN

On September 26, 2019 FPLP entered into an agreement with the Colleges of Applied Arts & Technology Pension Plan (the "CAAT Pension Plan"), a multi-employer defined benefit plan, to merge FPLP's defined benefit pension and the Retirement Plan for Employees of Winnipeg Free Press with the CAAT Pension Plan. During the year, FPLP contributed \$971 (2021 - \$569) to the multi-employer pension plan.

14. SEGMENT REPORTING

FPLP has one reportable segment which includes the publishing, printing and distribution of daily and weekly newspapers and specialty products, and advertising materials in Manitoba.

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15. FINANCIAL INSTRUMENTS

FPLP's financial assets and liabilities are comprised of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, lease obligations and term-loan.

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

a. CREDIT RISK

Credit risk is the risk a customer will fail to perform an obligation or fail to pay amounts due, causing a financial loss. Credit risk primarily arises from cash and cash equivalents and accounts receivable. The maximum exposure to credit risk is the carrying value of these financial assets. Cash and cash equivalents are all held at large chartered Canadian banks or Canadian subsidiaries of large international banks and FPLP does not expect the counterparties to fail to meet their obligations.

As FPLP is in the business of publishing newspapers and performing printing services for third parties, included in the 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 expected credit losses, with this allowance netted against 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 10 largest receivable amounts total \$1,360 (2021 - \$1,296) and approximately 94% (2021 - 85%) of these balances are owed from national advertising agencies. The largest amount due from a single national agency is \$421 (2021 - \$584) which represents 13% (2021 - 19%) of total receivables.

The loss allowance as at December 31, 2022 was determined as follows for trade receivables:

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	More than 120 days past due	More than 180 days past due	Total
December 31, 2022							
Gross carrying amount	2,100	1,279	516	329	579	49	4,852

(continues)

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15. FINANCIAL INSTRUMENTS *(continued)*

The following table summarizes the changes in the allowance for doubtful accounts for trade receivables:

	2022	2021
	\$	\$
Opening loss allowance at beginning of year	337	261
Increase in loss allowance recognised in profit or loss during the year	43	78
Receivables written-off during the year - uncollectible	(1)	(2)
Unused amounts reversed	(44)	-
Balance at end of year	335	337

b. INTEREST RATE RISK

Interest rate risk is the risk that the fair value (fair value interest rate risk) or future cash flows (cash flow interest rate risk) of a financial instrument will fluctuate because of changes in market interest rates primarily related to the HSBC credit facility (see note 7). FPLP is exposed to cash flow interest rate risk due to fluctuations in interest rates as the amounts borrowed under the HSBC credit facility are in the form of a variable prime rate loan.

An assumed 1% increase in FPLP's short term borrowing rates during the year ended December 31, 2022 would have decreased net income by \$82 (2021 - \$74), with an equal but opposite effect for an assumed 1% decrease in short term borrowing rates.

c. LIQUIDITY RISK

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with existing and future financial liabilities that are and will be settled by delivering cash or another financial asset as they come due. The Company's most significant financial obligation relates to its long-term debt which was amended and extended in July 2022 (note 7). FPLP believes that it has access to sufficient capital through current cash and cash equivalent balances, future internally generated cash flows and external sources (bank credit markets and debt capital markets) to meet current cash flow forecasts for 2023.

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15. FINANCIAL INSTRUMENTS *(continued)*

The following are the contractual maturities of the financial liabilities:

	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
	\$	\$	\$	\$	\$
At December 31, 2022					
Accounts payable and accrued liabilities	5,690	5,690	-	-	-
Lease obligations principal and interest	542	281	233	28	-
Long-term debt principal and interest	18,435	3,276	15,159	-	-
Total	24,667	9,247	15,392	28	-

At December 31, 2021

Accounts payable and accrued liabilities	6,233	6,233	-	-	-
Lease obligations principal and interest	537	177	275	85	-
Long-term debt principal and interest	7,177	1,164	6,013	-	-
Total	13,947	7,574	6,288	85	-

d. FAIR VALUES, INCLUDING VALUATION METHODS AND ASSUMPTIONS

Fair value hierarchy

Financial assets and liabilities are classified in a hierarchy that is based on significance of the inputs used in making the measurements and ultimately are reflected in the fair value hierarchy based on the lowest level input. The levels in the hierarchy are:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Financial assets and liabilities whose fair values are disclosed

The fair value of current assets and liabilities including cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and lease obligations approximates their carrying value due to the short-term nature of these financial instruments. The fair value of the HSBC term loan at December 31, 2022 and 2021, based on Level 3 fair value hierarchy inputs, approximates its carrying value.

FPLP does not carry any assets or liabilities at their fair value.

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16. 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.

During 2015, in response to the uncertainty regarding print revenues, FPCN General Partner Inc., managing general partner of FPLP, determined that FPLP will discontinue regular distributions but will continue to make distributions required for income taxes and administrative costs of its limited and general partners. The Board feels that at this time it is in the best interest of the limited and general partners to have the continuing free cash generated by FPLP be available for increasing FPLP's long-term debt repayments, new strategic investments and/or restructuring initiatives which improve the returns generated by the businesses going forward.

FPLP's capital consists of cash and cash equivalents, debt and Unitholders' equity. The components at December 31, 2022 and December 31, 2021 were as follows:

	2022	2021
	\$	\$
Term loan and interest	18,435	7,177
Lease obligation and term loan and interest	542	537
Cash and cash equivalents	(10,955)	(7,422)
External net debt	8,022	292
Unitholders' equity	17,021	17,344
Total capitalization	25,043	17,636

17. INDEMNIFICATION

The managing general partner and FPLP have agreed to indemnify FPLP's current and former directors and officers to the extent permitted by law against any and all charges, costs, expenses, amounts paid in settlement and damages incurred by the directors and officers as a result of any lawsuit or any other judicial, administrative or investigative proceeding in which the directors and officers are sued as a result of their service. These indemnification claims will be subject to any statutory or other legal limitation period. The nature of such indemnification prevents the partnership from making a reasonable estimate of the maximum potential amount it could be required to pay to counterparties. The general partner has directors' and officers' liability insurance coverage, pursuant to a joint policy covering FPGP, FPLP and FPI, of up to \$10,000 in joint coverage.

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18. EMPLOYEE COMPENSATION

A summary of the government support, recorded as a reduction to employee compensation costs within the statement of income, for the year ended December 31, 2022 and 2021 is as follows:

	2022	2021
Canada Emergency Wage Subsidy	\$ -	\$ 1,599
Journalism Tax Credit	1,030	1,120
	\$ 1,030	\$ 2,719

In April 2020, the federal government announced a wage subsidy program for eligible Canadian employers whose business has been affected by COVID-19. The Canada Emergency Wage Subsidy ("CEWS") provided a subsidy based on a prescribed formula retroactive to March 15, 2020. On April 19, 2021, the Government of Canada announced the extension of CEWS to October 23, 2021. The Canadian Journalism Tax Credit amount has been reduced by the amount received under the CEWS program for qualifying employees.

On June 21, 2019, the federal budget was approved which contained measures specific to the news media industry including a journalism tax credit whereby qualifying Canadian news organizations may apply for a refundable labour tax credit applied to the salaries of journalists. The general partners of FPLP have been and will continue to be allocated the Government of Canada's Canadian Journalism Labour Tax Credit. The general partners have agreed to contribute the amounts received to FPLP.

19. RESTRUCTURING CHARGE

FPLP incurred a restructuring charge of \$159 (2021 - \$1,213) consisting of severance payments in relation to employee reductions primarily achieved through a combination of retirements, voluntary and involuntary layoffs. In 2022, \$644 of the restructuring charge was paid, and the accrual was \$203 at December 31, 2022 (2021 - \$829).

20. SUBSEQUENT EVENT

On March 9, 2023, subsequent to year-end, management made the decision that it will not be proceeding with the installation of the KBA Commander CT Press System and the Ferag mailroom equipment. The decision to not proceed is a non-adjusting subsequent event, and subject to ongoing efforts to recover costs from either the sale of parts or salvage value, a full impairment of the assets will be recognized in the first quarter of fiscal 2023. Total costs, including costs incurred in the first quarter of fiscal 2023, are estimated to be approximately \$8.5 million.

On March 21, 2023, FPLP made a principal payment of \$5.3 million on the HSBC term loan.