1 + 1 =

CINEPLEX GALAXY INCOME FUND

2004 ANNUAL REPORT

HIGHLIGHTS

We are proud of our cinema general managers and the role they play in leading our front line staff. They provide an exceptional movie-going experience for our guests in addition to contributing to and actively participating in the communities where we operate.

ACHIEVEMENTS



CINEPLEX GALAXY

Two brands. Cineplex Odeon and Galaxy Cinemas.
Now one company. An exceptional entertainment powerhouse.

TWO CINEMA BRANDS
ONE COMPANY
OUTSTANDING RESULTS

Cineplex Odeon Cinemas are located in major metropolitan markets and in prominent locations and high-traffic areas. Galaxy Cinemas are focused on providing a premium entertainment destination within mid-sized communities. So whether its Vancouver or Montreal, Lethbridge or Orillia, Cineplex Galaxy has created outstanding results that far exceed a simple one plus one.

775 SCREENS

86 CINEMAS

32 MILLION GUESTS PER YEAR

Bill Soady, Executive Vice President, Film

Dan McGrath, Executive Vice President

Robert O'Brien, Vice President, Human Resources/Payroll

Ellis Jacob, President and Chief Executive Officer

Jeffrey Kent, Chief Technology Officer

Gord Nelson, Chief Financial Officer

SUCCESSFUL INTEGRATION OF TWO COMPANIES INTO ONE

LETTER TO UNITHOLDERS

It is my pleasure to present the operating results of the Cineplex Galaxy Income Fund. This past year has been tremendously productive and exciting. It was just over a year ago that we merged Cineplex Odeon Cinemas and Galaxy Cinemas. Since that time, I am proud to say that our achievements together have been numerous, which you will see later in the report.

When we created the company in late 2003, we stated our plan was to "strategically expand the number of theatre locations, maximize unitholder value and provide an outstanding movie-going experience for all our guests." In 2004, we did exactly that – we opened three new theatres and expanded and rebranded two others. We have also announced future projects in other markets and will have more to announce in the coming months.

In terms of unitholder value, we are very pleased with the unit's performance since the IPO. The value of the units has increased substantially and we have consistently delivered our cash distributions on a monthly basis.

For our more than 32 million moviegoers the results are equally positive. We have invested in our theatres by upgrading them where required, enhancing and expanding our food service, adding new game areas and continuing to expand our specialty programming options. Additionally, we continue to invest in our people, providing them with new and enhanced training and fostering an environment that enables them to be creative and rewards them for providing exceptional guest service.

We believe 2005 will be a great year, with the realization of many of the new initiatives that were started this past year coming to fruition. We are particularly excited about the new digital pre-show advertising network and our new point of sale system, believing that they will dramatically impact our business moving forward.

On a final note, I would like to thank our guests for their valued business and our unitholders for their support. I would also like to thank our many employees and senior management team for making 2004 a year of substantial progress and growth.

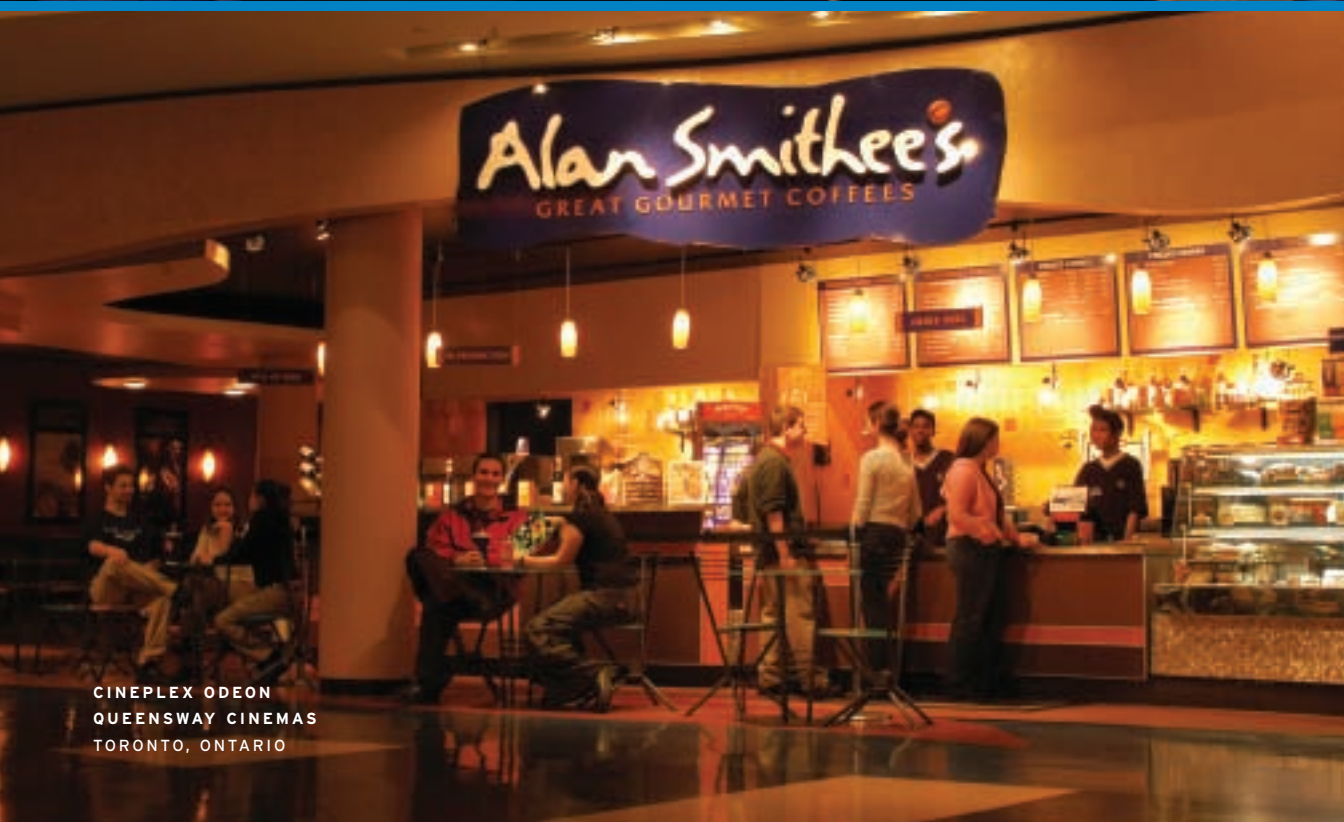
Sincerely yours,

"Ellis Jacob"

Ellis Jacob

PEOPLE

CINEPLEX ODEON
MEADOWTOWN CENTRE CINEMAS
PITT MEADOWS, BRITISH COLUMBIA



CINEPLEX ODEON
QUEENSWAY CINEMAS
TORONTO, ONTARIO

COMMUNITY

1+1 = 3500+ DEDICATED AND PASSIONATE EMPLOYEES

Corporately, we are committed to supporting charitable causes both locally and nationally. In 2004, we raised $240,000 for **Spotlight on the Cure**, a fundraising initiative we created to support the Canadian Breast Cancer Foundation. We raised more than $100,000 for Variety Village – the Children's Charity. The Starlight Film Festival, a program we created for teens, also raised over $100,000 for numerous United Way chapters across the country.

Cineplex Galaxy is proud to be involved in local charity fundraising. Each year, communities across the country raise thousands of dollars for various causes with the help of their neighbourhood Cineplex Odeon or Galaxy Cinema.

AT CINEPLEX GALAXY, our goal is to create a company that offers our guests the best entertainment experience while also giving our unitholders the best return on their investment. Our commitment to achieving this goal is reflected in our mission statement: **Passionately Delivering an Exceptional Entertainment Experience**.

OUR PEOPLE AND THE COMMUNITIES we serve are at the heart our continued success. The over 3,500 managers and staff across the country deliver our promise of providing an exceptional entertainment experience to more than 32 million guests each year. They are active and responsible members of their communities who take pride in supporting local charity organizations, causes and non-profit groups.

THEATRE MANAGEMENT AND STAFF are key contributors to our profitability. Our general managers are entrepreneurs running a business with monthly profit and loss responsibility for their cinemas. They are talented men and women passionate about what they do and committed to delivering an exceptional entertainment experience. Our staff training and incentive programs are designed to maximize concession sales and motivate our staff to always provide excellent guest service. Every cinema staff member strives to do whatever it takes to improve the experience for our guests whatever their needs may be.

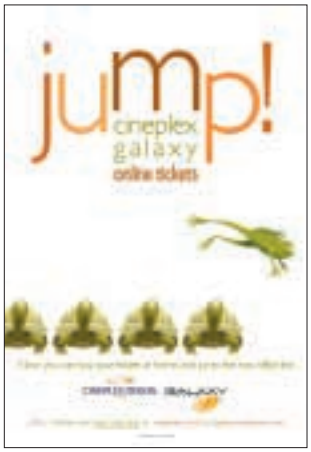
OUR HEAD OFFICE AND REGIONAL STAFF are a dedicated group of people who are focused on supporting the cinema teams to deliver the best service to our guests and the best return on investment to our unitholders. Our leadership team is one of the finest in the North American exhibition business. Our executives are experts in their respective fields and collectively they are committed to making Cineplex Galaxy the best motion picture exhibitor in the country.

EXPERIENCE

GALAXY CINEMAS GUELPH
GUELPH, ONTARIO

TECHNOLOGY

1+1 = NEW TECHNOLOGY TO ENHANCE THE GUEST EXPERIENCE



Our new online ticketing service, JUMP! allows guests to purchase movie tickets online and collect them from automated ticket machines in the cinemas, providing faster service and the opportunity to avoid box office lineups. Soon, guests will be able to print their tickets at home, therefore avoiding box office lineups altogether.

TODAY'S MOVIE-GOING EXPERIENCE is very different from 10 or 20 years ago. Improved cinema design, stadium seating, digital sound systems, giant screens, new speciality programming, a multitude of quality food choices and innovative technology all contribute to this enhanced experience.

IN 2004, PLANS FOR A NEW Digital Pre-Show Advertising Network were announced. Digital projectors at 215 cinemas across the Toronto extended market area will enable us to provide a 20-minute pre-show before the feature film that combines movie-specific entertainment with paid advertising. The same technology enables us to show digital presentations on the big screen, including live pay-per-view events such as concerts, World Wrestling Entertainment, major sporting events and console-based video game tournaments. Innovative programming combined with state-of-the-art technology expands the guest experience and increases our revenue growth.

OUR INVESTMENT IN NEW point of sale (POS) technology provides us with the infrastructure to improve our business processes and implement our new customer loyalty program, planned for roll out in 2005. This technology will facilitate collecting and analyzing detailed information about our guests' buying habits, which will make our business and staffing decisions more specific and effective.

WE ARE COMMITTED to investing in technology to continuously improve our business practices and the guest experience.

ENTERTAINMENT

CINEPLEX ODEON
MEADOWTOWN CENTRE CINEMAS
PITT MEADOWS, BRITISH COLUMBIA

DESTINATIONS

1+1 = 32 MILLION GUESTS PER YEAR

Our cinemas are the ideal destination for parents wanting to provide their children with an extra-special birthday party experience. We have specially designed birthday party rooms in many of our cinemas that feature creative party packages planned to maximize fun for the kids and minimize stress for mom and dad. Before or after the party, kids of all ages can visit our game centres to experience the latest in video and electronic games.

CINEPLEX GALAXY CINEMAS are entertainment destinations situated in prime locations within their local communities. They offer a wide range of entertainment choices, from the latest Hollywood blockbusters and critically acclaimed festival films to the newest video game technology. Special events and alternative programming are becoming almost standard offerings at many neighbourhood Cineplex Odeon and Galaxy Cinemas. Whatever entertainment option you choose, we are committed to making sure we provide the best entertainment experience possible. In fact, we have tied this commitment to our corporate identity with the tag line: **Experience Entertainment.**

FOOD CHOICES HAVE CHANGED dramatically as well. In addition to the must-have traditional fare of soft drinks, candy and popcorn, our cinemas feature a continually evolving and varied selection of hot foods such as pizza, fresh-cut French fries, hot dogs, sausages and chicken tenders. Many also feature Yogen Früz frozen yogurt, premium ice creams and speciality coffees. Each of these contributes to increasing our concession revenues.

MOST OF OUR CINEMAS now feature entertainment centres with the latest in electronic video games and interactive entertainment. This enhancement to our business model provides entertainment to our guests and new revenue streams for our bottom line. Many cinemas also feature specially designed birthday party rooms offering special birthday packages. This year, we partnered with The Walt Disney Company to offer Disney-themed birthday party rooms featuring character-specific party packages in selected Cineplex Odeon cinemas across the country.

GROWTH

CINEPLEX ODEON
MEADOWTOWN CENTRE CINEMAS
PITT MEADOWS, BRITISH COLUMBIA

GALAXY CINEMAS ORILLIA
ORILLIA, ONTARIO

MOMENTUM

1+1 = EXPANDING AND REBRANDING

We continue to focus on other revenue opportunities and anticipate increased revenues from our new Digital Pre-Show Advertising Network and additional revenue from games, gift certificates and corporate ticket sales. Last year, corporate discount ticket revenues increased by 66%.

We expect concession revenues to continue to deliver strong returns as we identify more opportunities to market and promote this key area of our business.

OUR PLAN is to strategically expand the number of cinema locations while maximizing unitholder value and provide an outstanding theatre experience for all our guests. In 2004, Cineplex Galaxy opened three new cinemas and these included a 10 screen Galaxy Cinema in Guelph, ON, a six-screen Galaxy Cinema in Orillia, ON, and our new prototype Cineplex Odeon 10 screen cinema in Pitt Meadows, BC. We expanded and re-branded two cinemas: the Lethbridge, AB cinema to Galaxy Cinema Lethbridge and the Sherbrooke, QC cinema to Galaxy Cinema Sherbrooke.

STRATEGIC GROWTH IN 2005 will come from four main areas: 1) opening new cinemas and refurbishing and adding new screens to existing locations; 2) increasing revenue generated per patron 3) increasing attendance frequency and 4) increasing ancillary revenues.

CINEPLEX GALAXY IS THE ONLY EXHIBITOR in Canada that is actively developing new cinemas. Real estate developers continue to work with us to anchor their prime projects. We have announced plans to open new cinemas across the country, including the Ontario communities of Aurora, Barrhaven (outside Ottawa), Brockville and Oakville and also in Brossard, QC, on the south shore of Montreal. We also plan to expand the number of screens at certain cinemas that have exceeded our expectations. As part of our two-tier brand strategy, we will rebrand Cineplex Odeon Cinemas in Barrie, ON, Medicine Hat and Grande Prairie, AB, and Kamloops, BC.

PROOF THAT OUR PLAN WORKS, last year, Cineplex Galaxy outperformed North American and Canadian box office returns. With a strong team and solid plan in place, we will continue to identify opportunities to provide an exceptional entertainment experience in markets across the country.

Cineplex Galaxy Income Fund indirectly owns an approximate 42.1% interest in Cineplex Galaxy Limited Partnership. Cineplex Galaxy Income Fund does not consolidate the results and operations of Cineplex Galaxy Limited Partnership. For this reason we present audited financial statements with accompanying notes therein for both Cineplex Galaxy Income Fund and Cineplex Galaxy Limited Partnership. The following management's discussion and analysis of the Cineplex Galaxy Limited Partnership financial condition and results of operations should be read together with the financial statements and related notes. This discussion contains forward-looking statements. Forward-looking statements are subject by their nature to risks and uncertainties, and actual results, actions or events could differ materially from those set forth in this discussion. The forward-looking information contained herein is current only as at the date of this document. There should not be an expectation that such information will in all circumstances be updated, supplemented or revised whether as a result of new information, changing circumstances, future events or otherwise. Additional information, including Cineplex Galaxy Income Fund's Annual Information Form (AIF) can be found on SEDAR at www.sedar.com.

OVERVIEW

Cineplex Galaxy Limited Partnership (the "Partnership") is Canada's second largest film exhibition company with theatres in six provinces. The Partnership's theatre circuit is concentrated in major metropolitan and mid-sized markets with principal geographic areas being Toronto, Montreal, Vancouver, Calgary, Edmonton, Ottawa and Quebec City. As of December 31, 2004, the Partnership owned, operated or had an interest in 775 screens in 86 theatres including 57 screens in seven theatres held in joint ventures.

The Partnership was formed on November 26, 2003 to acquire substantially all of the business assets of Cineplex Odeon Corporation ("COC") and all of the shares of Galaxy Entertainment Inc. ("GEI"). The Partnership's investors include Cineplex Galaxy Trust (the "Trust"), Cineplex Galaxy General Partner Corporation (the "General Partner"), certain Canadian subsidiaries of Loews Cineplex Theatres, Inc. ("LCT"), which were sold to an entity controlled by Onex Corporation ("Onex") on July 30, 2004, and former investors in GEI. The Trust is wholly owned by Cineplex Galaxy Income Fund (the "Fund").

The Fund is an unincorporated, open-ended, limited purpose trust created on October 2, 2003 for the express purpose of indirectly acquiring an interest in the Partnership. On November 26, 2003 the Fund issued 17.5 million units at $10.00 per unit and on December 24, 2003 the underwriters exercised their over-allotment option to purchase an additional 1.9 million units at $10.00 per unit. After giving effect to the over-allotment, the Fund indirectly owned an approximate 40.8% interest in the Partnership.

Under the provisions of an Exchange Agreement designed to facilitate the exchange of units of the Partnership into units of the Fund, the Fund issued 623,689 units during the year ended December 31, 2004, in exchange for Notes and Units from the Trust and, as a result, an indirect increase in its ownership in the Partnership. As a result of the issuance of units by the Fund, in a one-for-one exchange of Partnership units, as at December 31, 2004, the Fund indirectly owned approximately 42.1% of the Partnership.

BUSINESS STRATEGY

The Partnership business strategy is to continue to enhance its position as a leading film exhibitor in the Canadian market by focusing on providing customers with a premium movie-going experience. Key elements of this strategy include:

Leveraging Market Specific Operating Focus

The Partnership utilizes its distinct Cineplex Odeon and Galaxy brands and market specific operating focus to serve the widest range of markets with a premium movie-going experience tailored to the specific needs of each location. The Cineplex Odeon brand is among the oldest in the industry and is recognized for providing premium quality theatre experiences. Most Cineplex Odeon theatres are located in major metropolitan markets at prominent locations in high traffic areas. The Galaxy brand is focused on providing a premium movie-going experience in formerly underserved mid-sized markets in order to become a primary entertainment destination within the community. The Partnership's operating strategy includes a concentrated local marketing effort and community interaction in all markets. Management currently believes there is an opportunity to apply Galaxy's market-specific operating focus to a number of existing Cineplex Odeon theatres located in mid-sized markets.

Maximizing Operating Efficiencies

The Partnership's prominent market position enables it to effectively manage film, concession and other theatre-level costs, thereby maximizing operating efficiencies. The Partnership seeks to achieve incremental operating savings by, among other things, implementing best practices and negotiating improved supplier contracts.

Capitalizing on Ancillary Revenue Opportunities

The Partnership seeks to expand and further develop ancillary revenue opportunities, such as advertising, promotions, games and special events. These activities generate attractive margins and involve limited incremental operating expense. The combination of Cineplex Odeon theatres and Galaxy theatres gives the Partnership the ability to offer advertisers a larger number of screens, which increased advertising revenue for the Partnership. Management believes that the Partnership's size and market position allow it to exploit new ancillary revenue opportunities more quickly and profitably than most of its competitors.

Pursuing Selected Growth Opportunities

The Partnership seeks to enhance its competitive position by seeking selected complementary development opportunities, improving and refurbishing theatres and pursuing selective acquisition opportunities. The Partnership only pursues expansion opportunities that meet certain strategic and financial return criteria. The Partnership's new theatre strategy focuses on locations unserved by a modern multiplex theatre in expanding urban and suburban markets as well as mid-sized communities. Management believes that the Partnership has the financial strength, experience and flexibility to pursue attractive development and acquisition opportunities that are accretive to the Fund. During 2004, the Partnership opened three new theatres and expanded an existing theatre. The new theatres that were opened included locations in Guelph, Ontario (ten screens), Pitt Meadows, British Columbia (ten screens) and Orillia, Ontario (six screens). In addition, the Partnership added four screens to its existing theatre in Lethbridge, Alberta. The Partnership has announced its plans to open

in 2005 a ten screen theatre in Aurora, Ontario, a six screen theatre in Brockville, Ontario and a seven screen theatre in Barrhaven, Ontario. In addition, the Partnership plans to open a twelve screen theatre in the spring of 2006 in Burlington-Oakville, Ontario and a sixteen screen theatre in Montreal, Quebec.

REVENUE AND EXPENSES

Revenues

The Partnership generates revenues primarily from box office and concession sales. These revenues are affected primarily by attendance levels and by changes in the average per patron admission and average concession revenue per patron. The commercial appeal of the films released during the period and the success of marketing and promotion for those films by film studios and distributors drives attendance. Average admissions per patron are affected by the mix of film genres (e.g., its appeal to certain audiences, such as children, teens or young adults) and established ticket prices. Average concession revenue per patron is affected by concession product mix, concession prices and type of film. In addition, the Partnership generates other revenues from screen advertising sales, promotional activities, game rooms, screenings, private parties, corporate events and theatre management fees.

Expenses

Film cost represents the film rental fees paid on films exhibited in the Partnership's theatres. Film costs are calculated as a percentage of box office revenue and vary directly with changes in box office revenue. Film costs are accrued on the related box office receipts at either mutually agreed-upon terms, established prior to the opening of the film, or on a mutually agreed settlement upon conclusion of the film's run, depending upon the film licensing arrangement.

Cost of concessions represents the cost of concession items sold and vary directly with changes in concession revenue.

Occupancy costs include lease related expenses, property and business related taxes and insurance. Lease expenses are primarily a fixed cost at the theatre level because the Partnership's theatre leases generally require a fixed monthly minimum rent payment. However, a number of the Partnership's theatre leases also include a percentage rent clause whereby the landlord is paid an additional amount of rent based primarily upon revenues over a specified threshold.

Other theatre operating expenses consist of fixed and variable expenses, including marketing and advertising, salaries and wages, utilities and maintenance. Certain operating costs, such as salaries and wages, will vary directly with changes in revenues and attendance levels. Although theatre salaries and wages include a fixed cost component, these expenses vary in relation to revenues as theatre staffing levels are adjusted to handle fluctuations in attendance.

General and administrative expenses are primarily costs associated with executive and corporate management and the overhead of the Partnership's business, which includes functions such as film buying, marketing and promotions, operations and concession management, accounting and financial reporting, legal, treasury, construction and design, real estate development and administration and information systems. The Partnership's general and administrative costs primarily consist of payroll, occupancy costs related to its corporate office in Toronto, Ontario, professional fees (such as public

accountant and legal fees) and travel and related costs. The Partnership's general and administrative staffing and associated costs are maintained at a level that it deems appropriate to manage and support the size and nature of its theatre portfolio and its business activities.

Accounting for Joint Ventures

These financial statements incorporate the operating results of joint ventures in which the Partnership has an interest using the proportionate consolidation method as required by generally accepted accounting principles in Canada ("GAAP").

RESULTS OF OPERATIONS

The following table presents summarized financial data for the Partnership for the three most recently completed financial years (expressed in thousands of dollars except per unit and per patron data).

	2004	2003	2002 (ii)
Total Revenue	$ 353,738	$ 335,752	$ 325,287
Cost of Operations	279,207	274,955	271,813
Income from Operations	74,531	60,797	53,474
Amortization	23,736	20,113	17,765
Gain on disposal of theatre assets	(111)	(92)	(7,253)
Interest on long-term debt	8,280	4,020	2,612
Interest on loan from Cineplex Galaxy Trust	14,000	1,381	0
Interest Income	(473)	(922)	(370)
Foreign exchange Gain	0	(3,696)	14,420
Income Taxes	(1,149)	366	429
Other	-	-	(374,881) (iv)
Non-Controlling Interest	-	304	927
Net Income	$ 30,248	$ 39,323	$ 399,825
Net income per unit, basic and fully diluted	$ 0.6359	n/a (iii)	n/a (iii)
Total Assets	$ 325,430	$ 319,262	$ 299,985
Total long term financial liabilities	$ 225,512	$ 210,067	$ 35,121
Cash distributions declared per unit	$ 1.1496	$ 0.1118 (i)	-
Box office Revenue per patron	$ 7.40	$ 7.24	$ 6.93
Concession revenue per patron	$ 3.00	$ 2.88	$ 2.76
Film Cost as a percentage of Box office Revenue	51.5%	52.1%	52.7%
Attendance	31,818	31,107	31,772

(i) Distribution declared in 2003 related to the period November 26 to December 31, 2003

(ii) For comparative purposes includes the twelve months ended December 31, 2002 for Cineplex Odeon Corporation and Galaxy Entertainment Inc.

(iii) The formation of the Partnership was accounted for under the continuity of interests approach, as there was no substantive change in the ultimate ownership interests. Accordingly, the consolidated financial statements reflect the results of operations as if the Partnership has always carried on the businesses formerly carried on by COC and GEI. Net income per unit is presented for the Partnership's first full year since formation on November 26, 2003.

(iv) Other includes costs incurred during the period January 1 to March 31, 2002 by Cineplex Odeon Corporation for restructuring charges, reorganization costs and gain on settlement of liabilities subject to compromise.

Management calculates distributable cash flow per unit for the Partnership as follows (expressed in thousands of dollars except per unit data):

	Year Ended December 31, 2004	November 26, 2003 to December 31, 2003
Cash provided by operating activities	$ 40,110	$ 29,623
Less: Changes in operating assets and liabilities (i)	7,808	(19,181)
Total Capital expenditures	(22,803)	(962)
Add: Interest on loan from Cineplex Galaxy Trust (ii)	14,000	1,381
New theatre capital expenditures (iii)	17,653	653
POS/Rebranding capital expenditures (iv)	1,659	-
Distributable	$ 58,427	$ 11,514
Number of units outstanding (fully diluted)	47,566,974	47,566,974
Distributable cash per unit (fully diluted)	$ 1.2283	$ 0.2421

(i) Changes in operating assets and liabilities are not considered a source of distributable cash exclusive of $3 thousand arising during the period November 26 to December 31, 2003 as a result of the retroactive application of CICA Handbook section 3110 Asset Retirement Obligations

(ii) Subject to "Catch-up Payment" provision and is considered part of distributable cash

(iii) The total capital expenditures noted above includes new theatre and maintenance capital expenditures of which the new theatre capital expenditures are funded out of the Partnership's development loan facility and therefore are added back to calculate distributable cash.

(iv) Point-of-Sale ("POS") and rebranding capital expenditures are funded out of a $5.5 million reserve fund established on November 26, 2003.

YEAR ENDED DECEMBER 31, 2004 COMPARED TO THE YEAR ENDED DECEMBER 31, 2003 FOR THE PARTNERSHIP

Total revenues. Total revenues for the year ended December 31, 2004 increased $18.0 million, or 5.4%, to $353.7 million. A discussion of the factors affecting the changes in box office, concession and other revenues for this period in comparison to the same period in 2003 is provided below.

Box office revenues. Box office revenues for the year ended December 31, 2004 increased $10.1 million, or 4.5%, to $235.4 million. This increase in box office revenues was due to additional revenue from the operation of new theatres ($13.4 million), an improvement in average admission revenues per patron ($2.9 million) offset by decreased same store attendance levels ($3.3 million) and by the impact of disposed theatres including theatres not transferred into the Partnership ($2.9 million). The average ticket price increased $0.16 or 2.2% from $7.24 for the year ended December 31, 2003 to $7.40 for the year ended December 31, 2004.

Concession revenues. Concession revenues for the year ended December 31, 2004 increased $5.9 million, or 6.6%, to $95.5 million. The increase in concession revenues was due to additional revenues from the operation of new theatres ($5.8 million), an improvement in average concession revenues per patron ($2.4 million) offset by same store lower attendance levels ($1.3 million) and by the impact of disposed theatres including theatres not transferred into the Partnership on November 26, 2003 ($1.0 million). The average concession revenue per patron increased $0.12 or 4.2% from $2.88 for the year ended December 31, 2003 to $3.00 for the year ended December 31, 2004.

Other revenues. Other revenues for the year ended December 31, 2004 increased $1.9 million, or 9.2%, to $22.8 million as a result of higher advertising and ancillary revenues. Other revenue is a key area of focus for the Partnership and additional sales staff were added in 2004.

Film cost. Film cost for the year ended December 31, 2004 increased $4.0 million, or 3.4%, to $121.3 million due to an increase in box office revenue. As a percentage of box office revenue, film cost decreased to 51.5% for the year ended December 31, 2004 from 52.1% for the year ended December 31, 2003.

Cost of concessions. Cost of concessions for the year ended December 31, 2004 increased $0.8 million, or 4.7%, to $19.0 million. This increase in cost of concessions was due primarily to the incremental costs associated with new theatres that were opened ($1.0 million), increased purchase incidence ($0.3 million) that was partially offset by decreased same store attendance ($0.3 million) and the impact of disposed theatres including theatres not transferred into the Partnership ($0.2 million). As a percentage of concession revenues, cost of concessions decreased from 20.3% in the year ended December 31, 2003, to 19.9% in the year ended December 31, 2004. Concession costs for 2004 and 2003 have been adjusted to reflect the Partnership's retroactive adoption of the provisions of EIC-144 (discussed in "Accounting Policies and Recent Developments – Recent Accounting Developments").

Occupancy. Occupancy expense for the year ended December 31, 2004 increased $1.7 million, or 3.3%, to $53.2 million. The overall increase in occupancy expense was due to the incremental costs associated with new theatres that were opened ($2.0 million), offset by the incremental impact of disposed theatres ($0.3 million). Same store occupancy expense was relatively flat as any inflationary or lease specific increases were offset by savings related to property tax appeals and percentage rent.

Other theatre operating expenses. Other theatre operating expenses for the year ended December 31, 2004 increased $5.9 million, or 9.1%, to $71.1 million. The overall increase in other theatre operating expenses was due to the incremental impact of costs associated with new theatres that were opened ($3.4 million) and the impact of additional business activities and inflationary increases ($3.8 million), which were offset by disposed theatres including theatres not transferred into the Partnership ($1.3 million). As a percentage of total revenues, other theatre operating expenses increased to 20.1% for the year ended December 31, 2004 from 19.4% for the year ended December 31, 2003.

General and administrative costs. General and administrative costs for the year ended December 31, 2004 decreased 7.8% to $14.0 million primarily as a result of head count reductions on the integration of COC and GEI. As a percentage of total revenues, general and administrative expenses declined to 4.0% for the year ended December 31, 2004 from 4.5% for the year ended December 31, 2003.

General and administrative costs for the year ended December 31, 2004 includes a charge of $0.2 million arising under the Partnership's Long Term Incentive Plan ("LTIP"). As the LTIP began on January 1, 2004, no corresponding charge is included in the results for 2003.

Management fee. The management fee, which was payable to LCT decreased to $0.7 million from $7.7 million for the years ended December 31, 2004 and 2003 respectively. This decrease is primarily

due to the reduction in services covered under the management fee agreement. Effective November 26, 2003, the Partnership entered into a services agreement with COC under which management information systems (MIS) support is provided to the Partnership at a cost of US$500,000 per annum. Other than payments under this MIS support services agreement there is no longer a management fee payable to COC or LCT. The Partnership has given notice to terminate this services agreement effective in the second quarter of 2005. Accordingly, the Partnership has recruited additional staff and acquired additional hardware and software licenses to repatriate this MIS function.

Income before undernoted. The Partnership reported income before undernoted for the year ended December 31, 2004 of $74.5 million as compared to income before undernoted of $60.8 million for the year ended December 31, 2003. This change was due to the aggregate effect of the factors described above.

Amortization costs. For the year ended December 31, 2004 amortization costs increased $3.6 million or 18.0% to $23.7 million. This increase was due primarily to the incremental impact of new theatres.

Gain on disposal of theatre assets. The gain on disposal of theatre assets represents the gains on theatre assets that were sold or otherwise disposed of. For the year ended December 31, 2004 the Partnership recorded a gain of $111 thousand as compared to a gain of $92 thousand for the year ended December 31, 2003.

Interest on long-term debt: Interest on long-term debt for the year ended December 31, 2004 increased to $8.3 million from $4.0 million for the year ended December 31, 2003. Interest expense is comprised of the amortization of $1.0 million of deferred financing fees and $7.3 million of interest on long-term debt for the year ended December 31, 2004. For the year ended December 31, 2003 interest expense includes $0.2 million for the amortization of deferred financing fees and $3.8 million of interest on long-term debt. The increase in interest expense was due primarily to a higher average outstanding debt balance during 2004 versus 2003 as a result of the new capital structure of the Partnership.

Interest on loan from Cineplex Galaxy Trust. Interest on the loan from the Trust represents interest at a rate of 14% on the $100 million loan from the Trust that was drawn on November 26, 2003.

Interest income. Interest income for the year ended December 31, 2004 was $0.5 million as compared to $0.9 million for the year ended December 31, 2003. The decrease in interest income is primarily due to the decrease in cash and cash equivalents.

Exchange gain. The Partnership reported an exchange gain of nil year ended December 31, 2004 as compared to an exchange gain of $3.7 million for the year ended December 31, 2003. The Partnership has minimal foreign exchange exposure, as the Partnership's debt is no longer denominated in US dollars.

Income taxes. During the year ended December 31, 2004, the Partnership recorded a future tax income tax recovery of $1.6 million (2003 – nil) offset by current taxes of $0.4 million. Upon the completion of a year of operations by GEI under the capital structure implemented during the formation of the Partnership on November 26, 2003, it was determined it was more likely than not that the benefits arising from future tax assets would be realized by GEI resulting in the recovery.

Net income. Net income for the year ended December 31, 2004 decreased to $30.2 million from $39.3 million for the year ended December 31, 2003, primarily due to the net effect of all of the other factors described above.

EBITDA

EBITDA is defined as income before interest expense, income taxes and amortization expense. Adjusted EBITDA excludes from EBITDA the loss (gain) on disposal of theatre assets. Partnership management uses adjusted EBITDA to evaluate performance primarily because of the significant effect certain unusual or non-recurring charges and other items have on EBITDA from period to period. EBITDA adjusted for various unusual items is also used to define certain financial covenants in the Partnership's credit facilities. EBITDA and adjusted EBITDA are not presentations made in accordance with GAAP in Canada and are not measures of financial condition or profitability.

While the Partnership's management uses these measures to remove non-cash items and non-operating charges in order to evaluate the performance of the business, they are not necessarily comparable to other similarly titled captions of other companies due to differences in methods of calculation. For the periods ended December 31, 2003, the calculations of EBITDA and adjusted EBITDA are based on the combined financial statements and include the results of certain COC properties that were not transferred into the Partnership and are shown below (expressed in thousands of dollars):

	Year Ended December 31, 2004	Year Ended December 31, 2003
Net income	**$ 30,248**	$ 39,323
Non-controlling interest	**-**	304
Amortization	**23,736**	20,113
Interest on long-term debt	**8,280**	4,020
Interest on loan from Cineplex Galaxy Trust	**14,000**	1,381
Interest income	**(473)**	(922)
Income tax expense	**(1,149)**	366
EBITDA	**74,642**	64,585
(Gain)/loss on disposal of theatre assets	**(111)**	(92)
Foreign exchange gain	**-**	(3,696)
Non-recurring management fee (i)	**-**	7,664
Adjusted EBITDA	**$ 74,531**	$ 68,461

(i) Effective November 26, 2003 the existing arrangement between COC and LCT was terminated. The Partnership entered into a services agreement with COC under which MIS support will be provided to the Partnership at a cost of US$500,000 per annum. The cost of this service has been included as an expense in the calculation of EBITDA for the years ended December 31, 2004 and 2003.

SEASONALITY AND QUARTERLY RESULTS

Historically, the Partnership's revenues have been seasonal, coinciding with the timing of major film releases by the major distributors. The most marketable motion pictures are generally released during the summer and the late-November through December holiday season. This may cause changes, from quarter to quarter, in attendance levels, theatre staffing levels and reported results. More recently, the seasonality of film exhibition has become less pronounced as film studios have expanded the historical summer and holiday release windows and increased the number of heavily marketed films released during traditionally weaker periods.

Summary of Quarterly Results
(expressed in thousands of dollars except per unit data)

	2004				2003			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total Revenue	$ 85,643	$ 95,613	$ 93,443	$ 79,039	$ 91,897	$ 90,195	$ 78,323	$ 75,337
Cost of Operations	67,908	73,642	73,691	63,966	72,964	72,433	66,281	63,277
Income from Operations	17,735	21,971	19,752	15,073	18,933	17,762	12,042	12,060
Amortization	6,535	6,159	5,607	5,435	6,496	4,755	4,548	4,314
Loss (Gain) on disposal of theatre assets	3	(72)	(36)	(6)	(176)	69	2	13
Interest on long-term debt	2,307	2,068	1,904	2,001	1,177	1,054	894	895
Interest on loan from Cineplex Galaxy Trust	3,500	3,500	3,500	3,500	1,381	-	-	-
Interest Income	(118)	(200)	(61)	(94)	(17)	(408)	(166)	(331)
Foreign exchange Gain/Loss	-	-	-	-	83	10	(1,594)	(2,195)
Income Taxes	(1,320)	74	61	36	(1,109)	630	340	505
Non-Controlling Interest	-	-	-	-	(418)	506	68	148
Net Income	$ 6,828	$ 10,442	$ 8,777	$ 4,201	$ 11,516	$ 11,146	$ 7,950	$ 8,711
Net income per unit, basic and fully diluted	$ 0.1436	$ 0.2195	$ 0.1845	$ 0.0883	n/a	n/a	n/a	n/a
Cash Flows from Operations	$ 24,361	$ 12,573	$ 9,471	$ (6,295)	$ 47,793	$ 15,450	$ 9,796	$ (3,008)
Cash flows from investing activities	(10,661)	(10,760)	(5,417)	(3,449)	(27,985)	(9,452)	(49,214)	(6,759)
Cash flows used in financing activities	(877)	(2,301)	(6,509)	(5,000)	(10,174)	4,101	10,793	1,207
Net change in cash	$ 12,823	$ (488)	$ (2,455)	$ (14,744)	$ 9,634	$ 10,099	$ (28,625)	$ (8,560)

Distributable Cash

Management calculates distributable cash flow per unit for the Partnership as follows (expressed in thousands of dollars except per unit data):

	2004				Nov 26 to Dec 31, 2003
	Q4	Q3	Q2	Q1	
Cash provided by (used in) operating activities	$ 24,361	$ 12,573	$ 9,471	$ (6,295)	$ 29,623
Less: Changes in operating asset and liabilities (i)	(13,728)	2,801	3,802	14,933	(19,181)
Total Capital Expenditures	(8,586)	(8,759)	(3,386)	(2,072)	(962)
Add : Interest on loan from Cineplex Galaxy Trust (ii)	3,500	3,500	3,500	3,500	1,381
New Theatre Capital Expenditures (iii)	5,958	7,749	2,226	1,720	653
POS/Rebranding capital expenditures (iv)	1,281	378	-	-	-
Distributable Cash	$ 12,786	$ 18,242	$ 15,613	$ 11,786	$ 11,514
Number of Units outstanding	47,566,974	47,566,974	47,566,974	47,566,974	47,566,974
Distributable cash per unit	$ 0.2688	$ 0.3835	$ 0.3282	$ 0.2478	$ 0.2421

(i) Changes in operating assets and liabilities are not considered a source of distributable cash exclusive of $3 thousand arising during the period November 26 to December 31, 2003 as a result of the retroactive application of CICA Handbook section 3110 Asset Retirement Obligations

(ii) Subject to "Catch-up Payment" provision and is considered part of distributable cash

(iii) The total capital expenditures noted above includes new theatre and maintenance capital expenditures of which the new theatre capital expenditures are funded out of the Partnership's development loan facility and therefore are added back to calculate distributable cash.

(iv) Point-of-Sale ("POS") and rebranding capital expenditures are funded out of a $5.5 million reserve fund established on November 26, 2003.

Operating Results for the Fourth Quarter

The following summarizes the results of operations for the three months ended December 31, 2004 as compared to the three months ended December 31, 2003.

Total revenues. Total revenues for the three months ended December 31, 2004 decreased $6.3 million, or 6.8%, to $85.6 million from $91.9 million for the three months ended December 31, 2003. A discussion of the factors affecting the changes in box office, concession and other revenues for this period in comparison to the same period in 2003 is provided below.

Box office revenues. Box office revenues for the three months ended December 31, 2004 decreased $5.9 million, or 9.6%, to $55.4 million. This decrease in box office revenues was due to decreased attendance levels ($7.3 million) and the impact of disposed theatres ($0.1 million) offset by additional revenue from the operation of new theatres ($1.5 million). The average ticket price increased $0.04 or 0.5% from $7.30 for the three months ended December 31, 2003 to $7.34 for the three months ended December 31, 2004 however the impact on revenues for the quarter was minimal. The decrease in attendance is attributed to weaker film product in the fourth quarter of 2004 as compared to the prior year for the same period which included such strong releases as "The Lord of the Rings: The Return of the King", "The Matrix Revolutions" and "Elf".

Concession revenues. Concession revenues for the three months ended December 31, 2004 decreased $1.9 million, or 7.5%, to $23.1 million. The decrease in concession revenues was due to decreased attendance levels ($3.0 million) offset by additional revenues from the operation of new theatres ($0.8 million), and an improvement in average concession revenues per patron ($0.3 million). The average concession revenue per patron increased $0.08 or 2.8% from $2.98 for the three months ended December 31, 2003 to $3.06 for the three months ended December 31, 2004.

Other revenues. Other revenues for the three months ended December 31, 2004 increased $1.5 million, or 27.3%, to $7.1 million. Despite the weaker film products released in the fourth quarter of 2004 as compared to 2003, advertising revenue in the three months ended December 31, 2004 increased $0.9 million over the same period in 2003 as a result of an expanded sales force.

Film cost. Film cost for the three months ended December 31, 2004 decreased $4.1 million, or 12.7%, to $28.3 million. As a percentage of box office revenue, film cost decreased to 51.0% for the three months ended December 31, 2004 from 52.8% for the three months ended December 31, 2003 primarily as a result of the lack of significant product in the fourth quarter of 2004.

Cost of concessions. Cost of concessions for the three months ended December 31, 2004 decreased $0.8 million, or 14.9%, to $4.5 million. This decrease in cost of concessions was due primarily to the impact of reduced attendance and disposed theatres including theatres not transferred into the Partnership ($1.0 million) offset by the incremental costs associated with new theatres that were opened ($0.1 million) and increased purchase incidence ($0.1 million). As a percentage of concession revenues, cost of concessions decreased from 21.3% in the three months ended December 31, 2003, to 19.6% in the three months ended December 31, 2004. Concession costs for the three months ended December 31, 2004 and 2003 have been adjusted to reflect the Partnership's retroactive adoption of the provisions of EIC-144 (discussed in "Accounting Policies and Recent Developments – Recent Accounting Developments").

Occupancy. Occupancy expense for the three months ended December 31, 2004 decreased $0.6 million, or 4.7%, to $12.8 million. The overall decrease in occupancy expense was due a decrease in percentage rental costs that are based primarily upon sales volume ($0.4 million) and other cost savings including property tax appeals ($0.4 million) offset by the incremental costs associated with new theatres that were opened ($0.2 million).

Other theatre operating expenses. Other theatre operating expenses for the three months ended December 31, 2004 increased $1.0 million, or 5.9%, to $18.6 million. The overall increase in other theatre operating expenses was due to the incremental impact of costs associated with new theatres that were opened ($0.5 million) and the impact of additional business activities and inflationary increases ($0.6 million), which were offset by disposed theatres including theatres not transferred into the Partnership ($0.1 million). As a percentage of total revenues, other theatre operating expenses increased to 21.8% in the three months ended December 31, 2004 from 19.1% for the three months ended December 31, 2003.

General and administrative costs. General and administrative costs for the three months ended December 31, 2004 decreased $0.9 million to $3.5 million. As a percentage of total revenues, general and administrative expenses declined to 4.1% for the three months ended December 31, 2004 from 4.8% for the three months ended December 31, 2003.

Amortization costs. Amortization costs for the three months ended December 31, 2004 increased nominally over the three months ended December 31, 2003.

Interest on long-term debt. Interest on long-term debt for the three months ended December 31, 2004 increased to $2.3 million from $1.2 million for the three months ended December 31, 2003. Interest expense is comprised of amortization of the $0.3 million of deferred financing fees and $2.0 million of interest on long-term debt for the three months ended December 31, 2004. For the three months ended December 31, 2003 interest expense includes $0.1 million for the amortization of deferred financing fees and $1.1 million of interest on long-term debt. The increase in interest expense was due primarily to a higher average outstanding debt balance during the three months ended December 31, 2004 versus 2003 as a result of the new capital structure of the Partnership.

Interest income. Interest income represents interest earned on cash and cash equivalents. Interest income for the three months ended December 31, 2004 was $0.2 million as compared a nominal amount for the three months ended December 31, 2003.

Income taxes. During the three months ended December 31, 2004, the Partnership recorded a future tax income tax recovery of $1.6 million (2003 – nil) offset by current taxes of $0.3 million. Upon the completion of a year of operations by GEI under the capital structure implemented during the formation of the Partnership on November 26, 2003, it was determined it was more likely than not that the benefits arising from future tax assets would be realized by GEI resulting in the recovery.

Distributable Cash. For the three months ending December 31, 2004, Partnership's distributable cash flow per unit was $0.2688. The declared distribution per unit and interest on the Galaxy Note (discussed in "Liquidity and Capital Resources – Credit Facilities" below) per unit for this period totaled $0.2874.

BALANCE SHEET

Assets

Assets increased $6.1 million to $325.4 million as at December 31, 2004. This increase is due primarily to an increase in accounts receivable ($3.1 million), fixed assets ($2.6 million) and restricted distributions on Support Theatre units ($7.6 million) (discussed in "Liquidity and Capital Resources -Distributions" below) offset by a decrease in amounts due from related parties and prepaid expenses ($3.1 million).

Accounts Receivable. Accounts receivable increased $3.1 million to $10.9 million as at December 31, 2004 from $7.8 million as at December 31, 2003. This increase is due to increased ancillary revenue activities in the fourth quarter and quarterly volume rebates on strong concession sales for the year.

Fixed Assets. The increase in fixed assets from $232.3 million at December 31, 2003 to $234.9 million at December 31, 2004 is due to the three new theatres and a theatre expansion opened during the year, net of annual amortization.

Due from Related Parties. Due from related parties at December 31, 2003 represented the former investors of COC and GEI's share of the fund offering costs arising from the formation of the Partnership. These amounts were fully paid during 2004.

Liabilities. Liabilities increased $16.8 million from $351.9 million as at December 31, 2003 to $368.7 as at December 31, 2004. This increase is mainly due to an increase in distributions payable relating to the restricted distributions on the Support theatre units (discussed in "Liquidity and Capital Resources -Distributions" below), deferred revenue ($2.4 million), an increase in the long-term debt ($15.4 million) (discussed in "Liquidity and Capital Resources – Financing Activities" below) offset by a decrease in accounts payable and accrued expenses ($6.1 million).

Accounts Payable and Accrued Expense. Accounts payable and accrued expenses decreased from $34.1 million as at December 31, 2003 to $28.0 million as at December 31, 2004. The decrease is due to the settlement of amounts accrued at December 31, 2003 with respect to theatres under construction that have since been completed and opened and fees arising from the initial public offering of the Fund.

Deferred Revenue. Deferred revenues increased $2.4 million to $13.6 million as at December 31, 2004 from $11.2 million as at December 31, 2003. This was due primarily to an increase in gift certificate sales over the prior year during the fourth quarter.

Outstanding Units CGIF

The Fund had the following units issued for the years ended December 31 (expressed in thousands of dollars):

	2004		2003	
	Number of Units	**Amount**	Number of Units	Amount
Units beginning of period	**19,400,000**	**$ 194,000**	-	$ -
Initial Offering			17,500,000	175,000
Exercise of Over Allotment			1,900,000	19,000
Issuance of Units under Exchange agreement	**623,689**	**7,477**	-	-
	20,023,689	**$ 201,477**	19,400,000	$ 194,000

Subject to certain restrictions, Class B LP units of the Partnership may be exchanged for units of the Fund. The following Class B LP Units have not been exchanged for Fund units:

	Number of Units	
	2004	2003
Class B Series 1	**20,325,893**	20,949,582
Class B Series 2-C	**2,086,957**	2,086,957
Class B Series 2-G	**5,130,435**	5,130,435
	27,543,285	28,166,974

LIQUIDITY AND CAPITAL RESOURCES

Operating Activities

Cash flow is generated primarily from the sale of admission tickets, concession sales and other revenues. Generally, this provides the Partnership with positive working capital, since cash revenues are generally collected in advance of the payment of certain expenses. Operating revenue levels are directly related to the success and appeal of the film product produced and distributed by the studios.

Cash provided by operating activities was $40.1 million for the year ended December 31, 2004 as compared to $70.0 million for the prior year. The primary reason for the difference was due to changes in operating assets and liabilities, which was a use of $7.8 million in 2004 versus a source of $19.6 million in 2003. The reason for this variation is that the Partnership was formed in November 2003 and under normal supplier credit terms made minimal payments in the month of December 2003.

Investing Activities

Cash used in investing activities for the year ended December 31, 2004 of $30.3 million primarily related to capital expenditures on new theatre builds and the transfer of funds to a restricted cash account for Support Theatre distributions described below.

Cash used in investing activities for the year ended December 31, 2003 of $93.4 million was primarily related to the acquisition of the minority interest in GEI by the Partnership ($17.3 million), capital expenditures on new theatre builds and approximately $29.4 million in advances by COC to LCT.

The Partnership funds maintenance capital expenditures through internally generated cash flow and cash on hand. The Partnership funds new theatre capital expenditures through the development loan facility discussed below.

In addition, for the year ended December 31, 2004, the Partnership transferred $7.6 million to a segregated account representing distributions on the Class B Series 2 LP Units, the payment of which is dependant on the annual cash flow from certain new theatres. For the year ended December 31, 2004 the performance targets were met for the seven new theatres and, as a result, the Partnership will pay the full amount of the withheld distributions to the holders Class B Series 2 LP Units.

Financing Activities

Cash used by financing activities for the year ended December 31, 2004 of $14.7 million was due primarily to distribution payments of $33.6 million offset by borrowings of $15.5 million under new credit facilities and tenant inducements received of $3.7 million. For the year ended December 31, 2003 cash provided by financing activities ($5.9 million) was due primarily to borrowings under new credit facilities, the issuance of Partnership units and the loan from the Trust. In addition, cash used in financing activities included a repayment of $31.5 million in GEI long-term debt.

The Partnership believes that it will be able to meet its future cash obligations with its cash and cash equivalents, cash flows from operations and funds available under existing credit facilities.

Distributions

Partnership distributions are made on a monthly basis to holders of record of Class A LP Units and Class B LP Units on the last business day of each month. For the year ended December 31, 2004, Partnership distributable cash flow per unit was $1.2283. The declared distributions per unit and interest on the Galaxy Note (discussed in "Liquidity and Capital Resources – Credit Facilities" below) per unit for this period totaled $1.1496 per unit. Distributable cash is a non-GAAP measure generally used by Canadian open-ended trusts, as an indicator of financial performance and it should not be seen as a measure of liquidity or a substitute for comparable metrics prepared in accordance with GAAP. The Partnership's distributable cash may differ from similar calculations as reported by other similar entities and accordingly may not be comparable to distributable cash as reported by such entities.

As part of the support arrangements with certain limited partners, distributions for certain Class B Series 2 LP Units were dependent on the annual cash flows from certain new theatres. Amounts totaling $8.3 million are included in the distribution amounts above and at December 31, 2004, $7.6 million is being held in segregated accounts to be paid to certain Partnership unitholders. For the year ended December 31, 2004 the performance targets were met for the seven new theatres and, as a result, the Partnership will pay the full amount of the withheld distributions to the holders of the Support Units.

For the year ended December 31, 2004, the Fund declared distributions totaling $1.1496 per unit. The Fund is entirely dependent on distributions from the Partnership and interest payments from GEI to make its own distributions.

Credit Facilities

Revolving Facilities. On November 26, 2003, the Partnership entered into two senior secured revolving credit facilities, one in the principal amount of $20 million (the "Working Capital Facility") and the other in the principal amount of $40 million (the "Development Facility"). The Working Capital Facility is for general corporate purposes, including up to $10 million to stabilize monthly cash distributions to be paid by the Partnership throughout the year. The Development Facility is to be used for the development or acquisition of theatre projects approved by the Trustees of the Fund. Both facilities have a term of three years and are repayable in full at maturity. These revolving credit facilities bear interest at a floating rate based on the Canadian dollar prime rate or on the bankers acceptance rates plus, in each case, an applicable margin to those rates. As at December 31, 2004 the Partnership has borrowed $15.5 million under the Development Facility. No amounts were drawn under the Working Capital Facility as at December 31, 2004.

Term Facility. On November 26, 2003, the Partnership entered into a senior secured term facility in the amount of $110 million (the "Term Facility"). The Term Facility matures on November 25, 2006 with no scheduled repayments of principal required prior to maturity. The Term Facility bears interest at a floating rate based on the Canadian dollar prime rate or on the bankers acceptance rates plus, in each case, an applicable margin to those rates. The Term Facility was fully drawn as at December 31, 2004.

The above credit facilities are secured by all of the Partnership's assets and are guaranteed by the Trust.

Interest Rate Swap. As of December 31, 2004, the Partnership had an interest rate swap agreement in place whereby the Partnership pays an interest rate of 4.29% and receives a floating rate. The swap is for a term of three years, expiring November 26, 2006 and the initial principal outstanding was $44 million. The principal outstanding under the swap increased to $77 million on August 26, 2004 and increases to $110 million on May 26, 2005. The estimated fair market value of the swap is an unrealized loss of $2.4 million (loss of $1.5 million as at December 31, 2003) that is not recognized on the balance sheet or statement of income in accordance with Canadian GAAP.

Due to Cineplex Galaxy Trust. On November 26, 2003, the Trust entered into an agreement with GEI, a wholly-owned subsidiary of the Partnership, whereby it loaned to GEI $100 million (the "Galaxy Notes"). The Galaxy Notes bear interest at a rate of 14% per annum and have no scheduled repayments prior to maturity. The Galaxy Notes mature on November 26, 2028 at which time they are payable in full. The Galaxy Notes are subordinated to the bank credit facilities discussed above.

Future Obligations

As of December 31, 2004, the Partnership has aggregate capital commitments of $23.3 primarily related to the completion of construction of five theatre properties to comprise of 51 screens. The Partnership expects to complete construction and to open these theatres throughout 2005 to 2006.

As of December 31, 2004, approximately $4.3 million in cash remains of the $5.5 million reserve fund that is to be used for point-of-sale upgrades and rebranding. As at December 31, 2004 the Partnership had commitments of approximately $2.7 million related to point-of-sale upgrades and rebranding of which it had spent $1.2 million.

During the year, the Partnership announced its plans to move forward with the launch of a digital advertising network in its 21 Toronto extended market area theatres. Digital projectors will be installed in 215 theatre auditoriums during the first half of 2005. If the program is expanded outside of the Toronto extended market area, the total expected cost is in the range of $7 million to $9 million over the next two years. During January 2005, the Partnership entered into commitments of $1.3 million for the digital advertising network. This project will be funded through the Development Loan facility discussed above.

The Partnership conducts a significant part of its operations in leased premises. The Partnership's leases generally provide for minimum rentals and a number of the leases also include percentage rentals based primarily upon sales volume. The Partnership's leases may also include escalation clauses, guarantees and certain other restrictions, and generally require it to pay a portion of the real estate taxes and other property operating expenses. Initial lease terms generally range from 15 to 20 years and contain various renewal options, generally in intervals of five to ten years.

The Partnership had the following contractual commitments at December 31, 2004 (expressed in thousands of dollars):

	Payments Due by Period				
Contractual Obligations	Total	Within 1 year	2-3 years	4-5 years	After 5 years
Long Term Debt	$ 125,564	$ 52	$ 125,512	$ -	$ -
New Theatre Construction	23,329	9,872	13,457	-	-
Point-of-Sale Upgrade	1,488	1,488	-	-	-
Operating Leases	422,959	36,789	71,001	63,901	251,268
Total Contractual Obligations	$ 573,340	$ 48,201	$ 209,970	$ 63,901	$ 251,268

Related Party Transactions

The Fund has entered into transactions with parties to which it is related. During the year ended December 31, 2004, distributions in the amount of $8.6 million respectively were received from the Partnership and the Fund had distributions receivable from the Partnership at December 31, 2004 in the amount of $0.8 million.

The Fund earned interest income in the amount of $14.0 million for the year ended December 31, 2004 with respect to the Trust's $100 million loan to GEI.

The Partnership has entered into transactions with certain parties to which it is related as summarized below.

COC provided the Partnership with management information systems support. For the year ended December 31, 2004, the Partnership was charged $0.4 million for these services. As a result of the sale of LCT by Onex on July 30, 2004, LCT, which is no longer a related party, provides these services to the Partnership. The Partnership has given notice to terminate this service agreement effective in the second quarter of 2005.

COC charged the Partnership $0.5 million for the year ended December 31, 2004 for rent for the Partnership's head office. The Partnership charged COC $0.1 million for certain theatre management services during the year ended December 31, 2004. The Partnership has a payable to COC at December 31, 2004 of $0.4 million arising from favorable property tax reassessments received by the Partnership relating to periods prior to the Partnership's formation. The partnership had a payable to COC of $3.7 million at December 31, 2003 which included the obligation for net working capital acquired by the Partnership. This obligation was paid in full during 2004. All payables and receivables with COC are due on demand and are non-interest bearing.

LCT provided certain services to COC in 2003 relating to the following activities: finance, administration and management information systems support. The net amount charged for these services for the year ended December 31, 2003 was $7.7 million.

For the years ended December 31, 2004 and 2003 the Partnership incurred expenses for film rental totaling $25.8 million and $27.4 million respectively, to Alliance Atlantis Communications Inc. ("Alliance") and Motion Picture Distribution LP ("Motion Picture"). Alliance is a former shareholder

of GEI and Ellis Jacob, Chief Executive Officer of the Partnership, is a member of the Board of Directors and Audit Committee of Alliance and the Board of Trustees of Motion Picture.

A trustee of the Fund is the President and Chief Executive Officer of Riocan Real Estate Investment Trust ("Riocan"). The Partnership incurred rental costs for theatres under lease commitments with Riocan in the amount of $7.8 million and $6.4 million for the years ended December 31, 2004 and 2003 respectively. During the year, the Partnership received $1.9 million (2003 - $4.9 million) in tenant inducements from Riocan.

Future minimum rental commitments at December 31, 2004 under the Riocan operating leases are set forth as follows (expressed in millions of dollars):

2005	$ 7.4
2006	7.5
2007	7.6
2008	7.4
2009	7.2
Thereafter	58.3
	$ 95.4

Ellis Jacob, Chief Executive Officer of the Partnership, exchanged 148,870 Class B LP units for 148,870 Fund units under the provisions of the Exchange Agreement. The exchange was recorded at the fair market value as required under EIC-151 discussed below.

Stephen Brown, who at the time of the transaction was Chief Financial Officer of the Partnership, exchanged 83,724 Class B LP units for 83,724 Fund units under the provisions of the Exchange Agreement. The exchange was recorded at the fair market value as required under EIC-151 discussed below.

Alliance exchanged 255,349 Class B LP units for 255,349 Fund units under the provisions of the Exchange Agreement. The exchange was recorded at the fair market value as required under EIC-151 discussed below.

During the year, the Partnership provided services to the Toronto Film Festival ("the Festival") for which it received payment in the amount of $60 thousand. The Partnership incurred expenses of $35 thousand with respect to its sponsorship of the Festival. A Trustee for the Fund is a member of the Board for the Festival.

In April 2004, the Partnership acquired two theatres from COC for nominal consideration. The transaction has been recorded by the Partnership at $24 thousand, the amount for which the asset had been carried in the books of COC. The difference between COC's carrying value and the consideration paid by the Partnership has been credited to the Partners' Equity in accordance with Section 3840 of the Handbook.

During 2004, the Partnership reimbursed Onex $74 thousand (2003 - nil) for costs related to the formation of the Partnership.

Distributions paid to related parties consist of (expressed in thousands of dollars):

	December 31 2004	December 31 2003
Fund	$ 9,056	-
Onex and its subsidiaries	24,213	-
Alliance	349	-
Other related parties	215	-

Distributions payable to related parties consist of (expressed in thousands of dollars):

	at December 31 2004	at December 31 2003
Fund	$ 752	$ 788
Onex and its subsidiaries	8,116	2,866
Alliance	781	105
Other related parties	712	95

Excluding the transactions occurring under the provision of the Exchange Agreement and the acquisition of theatre assets from COC, transactions noted above are in the normal course of business and unless otherwise noted are measured at the exchange amount, which is the amount of consideration established and agreed to by related parties.

ACCOUNTING POLICIES AND RECENT DEVELOPMENTS

Critical Accounting Policies

The Partnership prepares its financial statements in conformity with Canadian GAAP, which requires management to make estimates, judgments and assumptions that the Partnership believes are reasonable based upon the information available. These estimates, judgments and assumptions 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 revenues and expenses during the reporting period. The policies which the Partnership believes are the most critical to aid in fully understanding and evaluating its reported financial results include the following:

Revenues

Box office and concession revenues are recognized, net of applicable taxes, when admission and concession sales are collected at the theatre. Amounts collected on advance ticket sales and long-term screen advertising agreements are deferred and recognized in the period earned. Amounts collected on the sale of gift certificates are deferred and recognized when redeemed by the patron.

Film Rental Costs

Film rental costs are recorded based upon the terms of the respective film license agreements. In some cases the final film cost is dependent upon the ultimate duration of the film play and until this is known, management uses its best estimate of the ultimate settlement of these film costs. Film costs and the related film costs payable are adjusted to the final film settlement in the period the Partnership settles with the distributors. Actual settlement of these film costs could differ from those estimates.

Leases

Tenant inducements received are amortized into occupancy expenses over the term of the related lease agreement. Lease payments are recorded in occupancy expenses on a straight-line basis over the term of the related lease. The unamortized portion of tenant inducements and the difference between the straight-line rent expense and the payments, as stipulated under the lease agreement, are included in other liabilities. Certain of the leases to which the Partnership is party require a portion of rent to be determined with respect to the volume of activity at the specific theatre. An estimate of the expected expense is determined by management and recorded throughout the lease year.

Income Taxes

The Partnership is not subject to income or capital taxes, as the income, if any, is taxed in the hands of the individual partners.

Income taxes for the Partnership's subsidiary, GEI, are accounted for under the asset and liability method, whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax base. Future tax assets and liabilities are measured using enacted or substantially enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Future income tax assets are recorded in the financial statements to the extent that realization of such benefits is more likely than not.

Long-Lived Assets

The Partnership continuously assesses the recoverability of its long-lived assets by determining whether the carrying value of these balances over the remaining life can be recovered through undiscounted projected cash flows associated with these assets. Generally this is determined on a theatre-by-theatre basis for theatre related assets. In making its assessment, the Partnership also considers the useful lives of its assets, the competitive landscape in which those assets operate, the introduction of new technologies within the industry and other factors affecting the sustainability of asset cash flows.

Recent Accounting Developments

In 2003, the Canadian Institute of Chartered Accountants (''CICA'') issued Handbook Section 3110, ''Asset Retirement Obligations'', effective for annual and interim periods beginning on or after January 1, 2004. This standard requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The implementation of Section 3110, requiring retroactive restatement of the financial statements, has had no material impact on the Partnership's financial position or results of operations. Details of the impact of this section are discussed in Note 2 to the Partnership's Consolidated Financial Statements.

In September 2003, the CICA issued Accounting Guideline 15, ''Consolidation of variable interest entities'' (the ''Guideline''). In September 2003 the CICA amended the Guideline to make it effective for annual and interim periods beginning on or after November 1, 2004. The Guideline addresses the application of consolidation principles to entities that are subject to control on a basis other than ownership of voting interests. Management is assessing the impact of this Guideline on the Fund and the Partnership.

Effective January 1, 2004, the Partnership adopted CICA Accounting Guideline 13 ("AcG 13") "Hedging Relationships". AcG 13 addresses the identification, designation, documentation and effectiveness of hedging transactions for the purpose of applying hedge accounting. It also establishes conditions for applying, and the discontinuance of, hedge accounting and hedge effectiveness testing requirements. Under the new guideline, the Partnership is required to document its hedging transactions and explicitly demonstrate that hedges are effective in order to continue hedge accounting for positions hedged with derivatives. Any derivative financial instruments that fail to meet the hedging criteria will be accounted for in accordance with EIC-128, "Accounting for Trading, Speculative or Non-Hedging Derivative Financial Instruments". These instruments will be recorded on the balance sheet at fair value, and changes in fair value will be recognized in income in the period in which the change occurs.

In connection with the implementation of AcG 13, the Partnership considered its hedging relationships as at January 1, 2004 and for the remainder of the period ending December 31, 2004, and determined that its interest rate swap agreement on its Term Facility qualified for hedge accounting for Canadian GAAP purposes and, therefore, the estimated fair value of the swap is not recognized in the balance sheet.

The Partnership receives rebates from certain vendors with respect to the purchase of concession goods. Payments received from vendors are composed of amounts for purchases made by the Partnership from the vendor in addition to amounts paid in return for advertising undertaken by the theatres on behalf of the vendor. The Partnership previously recorded all rebates received as a reduction of concession costs. Under Emerging Issues ("EIC") Abstract 144, Accounting By A Customer (Including a Reseller) For Certain Consideration Received From a Vendor, the Partnership continues to recognize rebates earned for purchases of a vendor's product as a reduction of concession costs; however, it is required to recognize rebates received for services delivered to the vendor as revenue. As a result, the Partnership has recorded rebates received with respect to advertising services performed for the vendor as other revenue. As required by EIC-144, the Partnership has applied this change retroactively resulting in an increase in other revenue and concession costs for the year ended December 31, 2004 of $2.0 million and $1.9 million for the year ended December 31, 2003.

The Fund implemented, on a retroactive basis with prior periods restated, the new EIC Abstract 151, Exchangeable Securities Issued by Subsidiaries of Income Trusts, which is effective for financial statements issued subsequent to January 19, 2005. The standard addresses whether or not the exchangeable units should be recorded as equity in the Fund's balance sheet. In addition, it provides guidance on the accounting treatment for the conversion of exchangeable securities that are not presented as part of the Fund's unitholders' equity and it addresses how earnings per share should be calculated in the Fund's financial statements.

Certain Class B LP Units are exchangeable for units of the Fund. The Class B LP Units are not shown as part of the Fund's unitholders' equity in the balance sheet until they have been exchanged for fund units as there are no requirements for the Class B LP Units to be exchanged into Fund units. As such, the Class B LP Units are considered as part of the calculation of diluted earnings per share using the if-converted method.

When Class B LP Units are converted into Fund units, the Fund accounts for the exchange of units at fair market value at the date of the exchange. The impact to the Fund's share of the Partnership's income as a result of the retroactive implementation of this new standard was immaterial; however it did result in an increase in the investment in Class B LP Units and unitholders' capital in the amount of $1,564.

RISKS AND UNCERTAINTIES

Investment in the units is subject to a number of risk factors. Cash distributions to unitholders are dependent upon the ability of the Partnership to generate income. The ability of the Partnership to generate income is susceptible to a number of risk factors which include, (i) the reliance on film production and film performance, (ii) alternative film delivery methods and other forms of entertainment, (iii) increased capital expenditures resulting from the development of digital technologies for film exhibition, (iv) reliance on key personnel, (v) the acquisition and development of new theatre sites, (vi) impact of new theatres, (vii) unauthorized copying of films, (viii) rising insurance and labour costs and (ix) the ability to generate additional ancillary revenue. See "Risk Factors" detailed in the Fund's AIF for a more detailed description of risks facing the Partnership.

Market Risk

The Partnership is exposed to financial market risks, including changes in interest rates and other relevant market prices. As discussed in "Liquidity and Capital Resources – Credit Facilities" the Partnership has entered into various interest rate swaps agreements. The estimated fair market value of the swap is an unrealized loss of $2.4 million (loss of $1.5 million as at December 31, 2003) that is not recognized on the balance sheet or statement of income in accordance with Canadian GAAP.

Interest Rate Risk

As of December 31, 2004, the Partnership had long-term debt and amounts due to the Trust (including current maturities) of $225.6 million. Approximately $125.6 million of this debt is variable rate debt. An increase or decrease in interest rates would affect interest costs relating to this debt. For comparative purposes, for every change of 0.125% in interest rates, the Partnership's interest costs would change by approximately $157 thousand per year. Offsetting this risk is the impact of the interest rate swap referred to above.

Other

The Partnership is a defendant in various lawsuits arising in the ordinary course of business and is involved in certain environmental matters. From time to time, the Partnership is involved in disputes with landlords, contractors and other third parties. It is the opinion of management that any liability to the Partnership, which may arise as a result of these matters, will not have a material adverse effect on the Partnership's operating results, financial position or cash flows.

OUTLOOK

The Partnership believes that its credit facilities and ongoing cash flow from operations will be sufficient to allow it to meet ongoing requirements for capital expenditures, investments in working capital and distributions. However, the Partnership's needs may change and in such event the Partnership's ability to satisfy its obligations will be dependent upon future financial performance, which in turn will be subject to financial, tax, business and other factors, including elements beyond the Partnership's control.

January 21, 2005

Management is responsible for the preparation of the accompanying consolidated financial statements and all other information contained in this Annual Report. The consolidated financial statements have been prepared in conformity with Canadian generally accepted accounting principles, which involve management's best estimates and judgements based on available information.

Management maintains a system of internal accounting controls designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, and financial records are reliable for preparing financial statements.

The Board of Trustees of the Cineplex Galaxy Income Fund (''the Board'') is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board is assisted in exercising its responsibilities through the Audit Committee of the Board (''Audit Committee''). The Audit Committee meets periodically with management and the independent auditors to satisfy itself that management's responsibilities are properly discharged and to recommend approval of the consolidated financial statements to the Board.

PricewaterhouseCoopers LLP serves as the Fund's auditors. PricewaterhouseCoopers LLP's report on the accompanying consolidated financial statements follows. Their report outlines the extent of their examination as well as an opinion on the consolidated financial statements.

''Ellis Jacob''

Ellis Jacob
Chief Executive Officer of
Cineplex Galaxy General Partner Corporation

''Gord Nelson''

Gord Nelson
Chief Financial Officer of
Cineplex Galaxy General Partner Corporation

Toronto, Ontario
January 21, 2005

January 21, 2005

To the Trustees of
Cineplex Galaxy Income Fund

We have audited the consolidated balance sheets of **Cineplex Galaxy Income Fund** (the "Fund") as at December 31, 2004 and 2003 and the consolidated statements of earnings, unitholders' equity and cash flows for the year ended December 31, 2004 and the period from October 2, 2003 to December 31, 2003. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2004 and 2003 and the results of its operations and its cash flows for the year ended December 31, 2004 and the period from October 2, 2003 to December 31, 2003 in accordance with Canadian generally accepted accounting principles.

"PricewaterhouseCoopers LLP"

Chartered Accountants
Toronto, Ontario

Cineplex Galaxy Income Fund

Consolidated Balance Sheets

As at December 31, 2004 and 2003 (expressed in thousands of Canadian dollars)

	2004	2003
Assets		
Current assets		
Cash and cash equivalents	$ 1,179	$ 460
Interest receivable from Galaxy Entertainment Inc. (note 4)	-	1,381
Distributions receivable (note 4)	752	788
	1,931	2,629
Due from Galaxy Entertainment Inc. (notes 1 and 4)	100,000	100,000
Investment in Cineplex Galaxy Limited Partnership (notes 1 and 2)	98,046	95,875
Investment in Cineplex Galaxy General Partner Corporation (notes 1 and 2)	2	2
	$ 199,979	$ 198,506
Liabilities		
Current liabilities		
Distributions payable (note 8)	$ 1,918	$ 2,169
Due to Cineplex Galaxy Limited Partnership (note 4)	4	460
	1,922	2,629
Unitholders' Equity	198,057	195,877
	$ 199,979	$ 198,506

Guarantees (note 9)

The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Board of Trustees

BRUCE BIRMINGHAM
Trustee

EDWARD SONSHINE
Trustee

Cineplex Galaxy Income Fund

Consolidated Statements of Earnings

(expressed in thousands of Canadian dollars, except per unit amounts)

	Year ended December 31, 2004	Period from October 2, 2003 to December 31, 2003
Share of income of Cineplex Galaxy Limited Partnership (note 5)	$ 3,258	$ 2,665
Interest income (note 4)	14,009	1,381
Net earnings	$ 17,267	$ 4,046
Basic earnings per unit	$ 0.88	$ 0.23
Weighted average number of units outstanding used in computing basic earnings per unit	19,612,287	17,922,222
Diluted earnings per unit	$ 0.88	$ 0.22
Weighted average number of units outstanding used in computing diluted earnings per unit (note 7)	47,566,974	46,089,196

The accompanying notes are an integral part of these consolidated financial statements.

Cineplex Galaxy Income Fund

Consolidated Statements of Unitholders' Equity

For the year ended December 31, 2004 (expressed in thousands of Canadian dollars)

	Unitholders' capital (note 6)	Accumulated earnings	Accumulated distributions	Total
Balance as at December 31, 2003	$ 194,000	$ 4,046	$ (2,169)	$ 195,877
Issuance of units under Exchange Agreement (note 6)	7,477	-	-	7,477
Distributions declared (note 8)	-	-	(22,564)	(22,564)
Net earnings for the year	-	17,267	-	17,267
Balance as at December 31, 2004	$ 201,477	$ 21,313	$ (24,733)	$ 198,057

For the period from October 2, 2003 to December 31, 2003

	Unitholders' capital (note 6)	Accumulated earnings	Accumulated distributions	Total
Issuance of units (notes 1 and 6)	$ 194,000	$ -	$ -	$ 194,000
Distributions declared (note 8)	-	-	(2,169)	(2,169)
Net earnings for the period	-	4,046	-	4,046
Balance as at December 31, 2003	$ 194,000	$ 4,046	$ (2,169)	$ 195,877

The accompanying notes are an integral part of these consolidated financial statements.

Cineplex Galaxy Income Fund

Consolidated Statements of Cash Flows

(expressed in thousands of Canadian dollars)

	Year ended December 31, 2004	Period from October 2, 2003 to December 31, 2003
Cash provided by (used in)		
Operating activities		
Net earnings for the period	$ 17,267	$ 4,046
Item not affecting cash and cash equivalents		
Share of income from equity investee (note 5)	(3,258)	(2,665)
Change in operating assets and liabilities		
Interest receivable from Galaxy Entertainment Inc. (note 4)	1,381	(1,381)
	15,390	-
Investing activities		
Distributions received from Cineplex Galaxy Limited Partnership (note 4)	8,600	-
Investment in Cineplex Galaxy Limited Partnership (note 2)	-	(93,998)
Investment in Galaxy Notes (notes 1 and 4)	-	(100,000)
Investment in Cineplex Galaxy General Partner Corporation (note 1)	-	(2)
	8,600	(194,000)
Financing activities		
Distributions paid	(22,815)	-
Issuance of units (notes 1 and 6)	-	194,000
Due to Cineplex Galaxy Limited Partnership (note 4)	(456)	460
	(23,271)	194,460
Increase in cash and cash equivalents during the period	719	460
Cash and cash equivalents - Beginning of period	460	-
Cash and cash equivalents - End of period	$ 1,179	$ 460
Supplemental information		
Cash received for interest	$ 15,390	$ -

Certain non-cash transactions occurred relating to exchanges of Class B LP units for Fund units (note 6).

The accompanying notes are an integral part of these consolidated financial statements.

1. DESCRIPTION OF THE FUND

Cineplex Galaxy Income Fund (the "Fund") is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario on October 2, 2003 pursuant to the Fund Declaration of Trust. The Fund was established to invest, through Cineplex Galaxy Trust (the "Trust"), a newly constituted wholly owned trust, in partnership units of Cineplex Galaxy Limited Partnership (the "Partnership") and shares of Cineplex Galaxy General Partner Corporation (the "General Partner"), the general partner of the Partnership. The Partnership represents Canada's second largest film exhibition organization with theatres in six provinces and was formed on November 26, 2003 to acquire substantially all of the theatre business assets and liabilities of Cineplex Odeon Corporation ("COC") and all of the shares of Galaxy Entertainment Inc. ("GEI").

On November 26, 2003, the Fund issued 17,500,000 million units at $10.00 per unit (the "Offering") and used these funds to subscribe for units (the "Trust Units") and Series 1 notes (the "Series 1 Trust Notes") of the Trust. The Trust subscribed for 17,500,000 Class A Partnership units ("Class A LP Units") in the amount of $74,998, subscribed for 17,500,000 shares in the capital of the General Partner in the amount of $2 and advanced $100,000 (the "Galaxy Notes") to GEI. The investments in the Partnership and the General Partner represented approximately 36.8% of the outstanding Partnership units and General Partner shares. The Partnership used the proceeds from the issuance of Class A LP Units, the proceeds from the Galaxy Notes, the $110,000 proceeds from its New Credit Facilities (note 9), together with the issuance of Series 1 Class B Partnership units, Series 2-C Class B Partnership units and Series 2-G Class B Partnership units (collectively, "Class B LP Units"), to fund the acquisition of substantially all of the theatre business assets and liabilities of COC, to acquire, through an acquisition company, all of the shares of GEI and to pay the expenses of the Offering. The underwriters' fees and other Offering costs were reimbursed to the Fund pursuant to a reimbursement agreement with the Partnership. In addition, all administration costs incurred by the Fund are reimbursed to the Fund by the Partnership.

On December 24, 2003, the underwriters of the initial public offering of units of the Fund exercised their over-allotment option to purchase 1,900,000 additional units at a purchase price of $10.00 per unit, for gross proceeds of $19,000 (the "Over allotment"). The gross proceeds were used by the Fund to acquire an additional indirect interest of approximately 4.0% in the Partnership. After giving effect to the Over allotment, the Fund indirectly owned an approximate 40.8% interest in the Partnership.

Under the provisions of the Exchange Agreement, the Fund issued units during the year ended December 31, 2004, in exchange for Notes and Units from the Trust (note 6), and as a result indirectly increased its ownership in the Partnership to a 42.1% interest.

The Partnership's investors are comprised of the Trust, the General Partner, COC, Cineplex Odeon (Quebec) Inc., Onex Corporation and other former investors in GEI.

2. BUSINESS ACQUISITIONS

Following the Offering and the exercise of the Over allotment, the Fund indirectly acquired a 40.8% interest in the Partnership and the General Partner. The total consideration was $93,998 in cash for the 40.8% interest in the Partnership and $2 in cash for the 40.8% interest in the General Partner. The investments are accounted for using the equity method and the results of the Partnership have been included in the Fund's consolidated financial statements from the date of acquisition.

The Fund's share of the net book value of the underlying identifiable net liabilities, excluding goodwill, of the Partnership was $63,478 at the date of acquisition. The $93,998 cost of the Fund's investment in the Partnership exceeded the $63,478 underlying carrying value of the net liabilities of the Partnership in the amount of $157,476. This excess has been allocated to property, equipment and leaseholds in the amount of $4,898; advertising contracts for $5,180; and to trademarks in the amount of $16,151. The remaining $131,247 represents equity method goodwill. Amounts allocated to buildings, equipment and leaseholds are amortized over a period of approximately 12 years and to advertising contracts over approximately nine years. As the useful lives of trademarks and goodwill are indefinite, no amortization is recorded on these assets.

The Fund's share of the Partnership's net income has been adjusted to reflect the Fund's proportionate share of the amortization of the excess purchase price over net assets acquired (note 5). The investment in the Partnership consists of the following:

	2004	2003
Investment in 19,400,000 Class A LP Units	$ 93,998	$ 93,998
Investment in 623,689 Class B LP Units (note 6)	7,477	-
Accumulated share of Partnership income	5,923	2,665
Less: Accumulated distributions received or receivable (note 4)	9,352	788
	$ 98,046	$ 95,875

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation and consolidation

The Fund prepares its financial statements in accordance with Canadian generally accepted accounting principles ("GAAP"). The Fund's consolidated financial statements include the accounts of the Trust. All intercompany transactions have been eliminated. Due to the limited amount of information that these consolidated financial statements provide on the underlying operations of the Partnership, these consolidated financial statements should be read in conjunction with those of the Partnership for the years ended December 31, 2004 and 2003.

Cash and cash equivalents

The Fund considers all operating funds held in financial institutions and all highly liquid investments with original maturities of three months or less when purchased to be cash and cash equivalents.

Long-term investments

As the Fund has significant influence over the Partnership and the General Partner, its investments are accounted for using the equity method. Under the equity method, the cost of the investment is increased by the Fund's proportionate share of earnings and reduced by any distributions paid or payable to the Fund by the Partnership and the General Partner and by the amortization of property, equipment and leaseholds and certain intangible assets arising as a result of the purchase price allocation (note 2). As set out in the Cineplex Galaxy Limited Partnership Agreement, income and loss of the Partnership for accounting purposes are allocated to each partner in the same proportion as the income or loss is allocated for tax purposes (note 5).

The Fund's investment in the Partnership is reviewed for impairment if conditions arise that indicates the investment may be impaired. If there is a loss in the value of the investment that is other than a temporary decline, the investment is written down to recognize the loss.

Income taxes

The Fund is a mutual fund trust for income tax purposes. As such, the Fund is only taxable on any amount not allocated to Unitholders. As substantially all taxable income will be allocated to the Unitholders, no provision for income taxes on earnings has been made in these consolidated financial statements. Income tax liabilities relating to distributions of the Fund are taxed in the hands of the Unitholders.

Earnings per unit

Basic earnings per unit are computed by dividing the net earnings available for Unitholders by the weighted average number of units outstanding during the year. Diluted earnings per unit are computed using the if-converted method, which assumes conversion of the Class B LP Units into units of the Fund at the beginning of the reporting period, or at the time of issuance, if later (note 7).

Financial instruments

a) Fair value of financial instruments

Cash and cash equivalents, due to and due from related parties, interest receivable, distributions receivable and distributions payable are reflected in the financial statements at carrying values, which approximate fair value because of the short-term maturity of these financial instruments. Financial instruments also include the Galaxy Notes that mature on November 26, 2028 and bear interest at 14% per annum. The fair value of the Galaxy Notes is not practicable to determine given the many factors, terms and conditions that would influence such a determination.

b) Interest rate risk

The Fund is exposed to interest rate risk as a result of its issuance of the $100,000 fixed rate Galaxy Notes (note 4). Interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

Exchangeable securities

The Fund implemented, on a retroactive basis with prior periods restated, the new Emerging Issues Committee ("EIC") Abstract 151, Exchangeable Securities Issued by Subsidiaries of Income Trusts, which is effective for financial statements issued subsequent to January 19, 2005. The standard addresses whether or not the exchangeable units should be recorded as equity in the Fund's balance sheet. In addition, it provides guidance on the accounting treatment for the conversion of exchangeable securities that are not presented as part of the Fund's unitholders' equity and it addresses how earnings per share should be calculated in the Fund's financial statements.

Certain Class B LP Units are exchangeable for units of the Fund (note 6). The Class B LP Units are not shown as part of the Fund's unitholders' equity in the balance sheet until they have been exchanged for Fund units as there are no requirements for the Class B LP Units to be exchanged into Fund units. As such, the Class B LP Units are considered as part of the calculation of diluted earnings per share using the if-converted method.

When Class B LP Units are converted into Fund units, the Fund accounts for the exchange of units at fair value at the date of the exchange. As a result, the Fund's proportionate share of the amortization of the excess purchase price over the net assets acquired (note 5) would be adjusted, including an adjustment to equity method goodwill. The impact to the Fund's share of the Partnership's income as a result of the retroactive implementation of this new standard was immaterial; however, it did result in an increase in the investment in the Partnership and unitholders' capital in the amount of $1,564.

Use of estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

4. RELATED PARTY TRANSACTIONS

The Partnership makes distributions on a monthly basis of its available cash to the maximum extent possible to holders of record of Class A LP Units and Class B LP Units on the last business day of each month. Any distributions will be paid within seven days of the end of each month. Subject to agreements the Partnership has entered into with its Class A LP and Class B LP Unitholders, the Fund receives the distributions on the Class A LP Units and Class B LP Units held by the Trust (note 8). For the year ended December 31, 2004, the Fund received $8,600 of distributions from the Partnership and had $752 of distributions receivable at December 31, 2004. For the period from November 26, 2003 to December 31, 2003, the Fund has distributions receivable from the Partnership of $788.

On November 26, 2003, the Trust entered into an agreement with GEI whereby it loaned to GEI $100,000 (note 1). The Galaxy Notes bear interest at a rate of 14% per annum payable monthly, with principal due on November 26, 2028. During the year ended December 31, 2004, the Partnership paid the Trust $15,381 of interest. As at December 31, 2004, the Trust had interest receivable from the Partnership of $nil (2003 - $1,381).

The amount due to the Partnership is due on demand and is non-interest bearing.

During the year ended December 31, 2004, investors related to the Fund exchanged their Class B LP Units for Units of the Fund under the provision of the Exchange Agreement (note 6).

On November 26, 2003, the Fund undertook a series of transactions with related parties resulting in the Fund Offering and investment in the Partnership and the General Partner (notes 1 and 2).

See note 9 for a guarantee with a related party.

Transactions noted above are in the normal course of business and are measured at the exchange amount, unless otherwise noted, which is the amount of consideration established and agreed to by the related parties.

5. SHARE OF PARTNERSHIP INCOME

The Fund's share of the Partnership's income has been calculated as follows:

	Year Ended December 31, 2004	Period from November 26, 2003 to December 31, 2003
Consolidated Partnership net income	$ 30,248	$ 8,707
Adjustment for Catch-up Payment from Partnership to Class B LP Unitholders (note 8)	(19,964)	(2,005)
Remaining income to be distributed pro rata to Class A LP and Class B LP Unitholders	10,284	6,702
Fund's proportionate % share (a)	4,243	2,733
Adjustments for excess of purchase price over net assets acquired (note 2) and other items	(985)	(68)
Share of Partnership's income	$ 3,258	$ 2,665

(a) During the period, the Fund's indirect ownership of the Partnership, held through the Trust, increased from approximately 40.8% as at December 31, 2003 to approximately 42.1% (note 6) as at December 31, 2004. The Fund's proportionate share of the income available to be distributed to the Class A LP and Class B LP unitholders has been adjusted to reflect its increased ownership.

6. UNITHOLDERS' CAPITAL

The Fund may issue an unlimited number of units. Each unit is transferable and represents an equal undivided beneficial interest in any distributions from the Fund, whether of net income, net realized capital gains (other than net realized capital gains distributed to redeeming Unitholders) or other amounts, and in the net assets of the Fund in the event of termination or windup of the Fund.

All units are of the same class with equal rights and privileges. The units issued pursuant to the Offering are not subject to future calls or assessments, and entitle the holders thereof to one vote for each whole unit held at all meetings of Unitholders.

Units are redeemable at any time on demand by the Unitholders. Subject to certain restrictions, the aggregate redemption price payable by the Fund in respect of all units surrendered for redemption during any calendar month shall be satisfied by way of a cash payment no later than the last day of the month following the month in which the units were tendered for redemption.

The Class B LP Units are indirectly exchangeable one-for-one for Fund units in the manner set out in the Exchange Agreement dated November 26, 2003. Under the terms of the Exchange Agreement, COC and the former shareholders of GEI may, under certain circumstances, exchange all or any portion of their Class B LP Units for units of the Fund. With respect to the Class B Series 2 LP Units, this exchange may not occur until after December 31, 2004. At no time may any exchange be made if there exists an uncured event of default arising on the Series 1 Trust Notes.

During the year, under the provisions of the Exchange Agreement, investors related to the Fund exchanged 487,943 Class B, Series 1 Partnership units for 487,943 Fund units. Under EIC-151 (note 3), the Fund recorded the Partnership units it acquired at the fair market value of the Fund units on the date of the transaction. The difference between the fair market value and the value at which the Fund units were issued has been credited to unitholders' equity in the amount of $190 resulting in a net increase in unitholders' capital of $5,835.

On August 19, 2004, under the provisions of the Exchange Agreement, an investor in the Fund exchanged 135,746 Class B, Series 1 Partnership units for 135,746 Fund units. As this was an arm's-length transaction, the Fund recorded the Partnership units it acquired at the fair market value of the Fund units on the date of the transaction. The difference between the fair market value and the value at which the Fund units were issued in the amount of $90 has been credited to unitholders' equity resulting in a net increase in unitholders' capital of $1,642.

Issued

	2004		2003	
	Number of units	Amount	Number of units	Amount
Units - Beginning of period	19,400,000	$ 194,000	-	$ -
Initial offering (note 1)	-	-	17,500,000	175,000
Exercise of Over allotment (note 1)	-	-	1,900,000	19,000
Issuance of Units under Exchange Agreement	623,689	7,477	-	-
Units - End of period	20,023,689	$ 201,477	19,400,000	$ 194,000

7. DILUTED EARNINGS PER UNIT

The weighted average number of units outstanding used in computing the diluted earnings per unit includes the dilutive effect of the full exercise of Class B LP Unitholders' right to exchange Class B LP Units for Fund units. The following Class B LP Units have not been exchanged for Fund units:

	Number of units December 31, 2004	Number of units December 31, 2003
Class B Series 1	20,325,893	20,949,582
Class B Series 2-C	2,086,957	2,086,957
Class B Series 2-G	5,130,435	5,130,435
	27,543,285	28,166,974

8. DISTRIBUTIONS PAYABLE

The Fund makes monthly distributions of its available cash, to the maximum extent possible, and is dependent upon the ability of the Partnership to make cash distributions to the Fund. Distributions will be made to Unitholders of record on the last business day of each month commencing in December 2003 less estimated cash amounts required for expenses and other obligations of the Fund and cash redemptions of units. The distributions are paid within 30 days following the end of each month.

Subject to certain restrictions, holders of Class B LP Units are entitled to receive, before distributions made by the Partnership to holders of Class A LP Units, a per unit distribution equal to the per unit interest payments made to the Trust in respect of the Galaxy Notes ("Catch-up Payment"). Any remaining amounts available for distribution will be shared pro rata between the holders of Class A LP Units and Class B LP Units. The purpose of the Catch-up Payment is to ensure that distributions on the Class B LP Units are equal to Class A LP Unit distributions, on a per unit basis, which reflect, in part, payments received by the Trust on the Galaxy Notes.

Where the Partnership is unable to pay the Catch-up Payment out of the assets of the Partnership, under the terms of a keepwell agreement, the Trust will make a contribution to the capital of the Partnership without the issuance of additional Partnership units to enable the Partnership to meet its Catch-up Payment obligations. The amount of the contribution will be an amount equal to the shortfall in the per unit distribution to the Class B LP Unitholders. The Trust has not made any payments to the Partnership under the terms of the keepwell agreement.

9. GUARANTEES

The Trust has guaranteed the New Credit Facilities undertaken by the Partnership, and has granted a security interest over its assets, including a pledge of its Class A LP Units, shares of the General Partner and the Galaxy Notes. Total debt outstanding under the New Credit Facilities at December 31, 2004 amounts to $125,500. The Fund has not made any payments under such agreements and no amount has been accrued in the accompanying consolidated financial statements with respect to these guarantees.

Management is responsible for the preparation of the accompanying consolidated financial statements and all other information contained in the Annual Report. The consolidated financial statements have been prepared in conformity with Canadian generally accepted accounting principles, which involve management's best estimates and judgements based on available information.

Management maintains a system of internal accounting controls designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, and financial records are reliable for preparing financial statements.

The Board of Directors of Cineplex Galaxy General Partner Corporation (the "Board"), as general partner of Cineplex Galaxy Limited Partnership, is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board is assisted in exercising its responsibilities through the Audit Committee of the Board ("Audit Committee"). The Audit Committee meets periodically with management and the independent auditors to satisfy itself that management's responsibilities are properly discharged and to recommend approval of the consolidated financial statements to the Board.

PricewaterhouseCoopers LLP serves as the Partnership's auditors. PricewaterhouseCoopers LLP's report on the accompanying consolidated financial statements follows. Their report outlines the extent of their examination as well as an opinion on the consolidated financial statements.

"Ellis Jacob"	*"Gord Nelson"*
Ellis Jacob Chief Executive Officer	Gord Nelson Chief Financial Officer

Toronto, Ontario
January 21, 2005 (except as to note 23, which is as of February 10, 2005)

January 21, 2005
(except as to note 23, which is as of February 10, 2005)

To the Directors of Cineplex Galaxy General Partner Corporation, as General Partner of Cineplex Galaxy Limited Partnership

We have audited the consolidated balance sheets of **Cineplex Galaxy Limited Partnership** (the "Partnership") as at December 31, 2004 and 2003 and the consolidated statements of income, partners' deficiency and cash flows for the years then ended. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Partnership as at December 31, 2004 and 2003 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"PricewaterhouseCoopers LLP"

Chartered Accountants

Cineplex Galaxy Limited Partnership

Consolidated Balance Sheets

As at December 31, 2004 and 2003 (expressed in thousands of Canadian dollars)

	2004	2003
Assets		
Current assets		
Cash and cash equivalents	$ 38,663	$ 43,527
Restricted cash (note 2)	7,637	-
Accounts receivable (note 3)	10,937	7,801
Inventories	2,123	1,987
Prepaid expenses and other current assets	2,680	3,901
Due from related parties (note 10)	4	1,860
	62,044	59,076
Property, equipment and leaseholds (note 4)	234,854	232,263
Goodwill (note 1)	22,942	22,942
Future income taxes (note 16)	1,615	62
Deferred charges and other intangibles (note 5)	3,975	4,919
	$ 325,430	$ 319,262
Liabilities		
Current liabilities		
Accounts payable and accrued expenses (note 7)	$27,654	$34,110
Distributions payable (note 14)	10,996	3,937
Due to related parties (note 10)	373	5,108
Income taxes payable	153	234
Deferred revenue	13,580	11,215
Current portion of long-term debt (note 8)	52	46
	52,808	54,650
Long-term debt (note 8)	125,512	110,067
Due to Cineplex Galaxy Trust (note 9)	100,000	100,000
Accrued pension liability (note 11)	589	465
Other liabilities (note 12)	89,784	86,710
	368,693	351,892
Partners' Deficiency		
Partners' deficit	(43,263)	(32,630)
	$ 325,430	$ 319,262

Basis of presentation (note 2)

Commitments and contingencies (notes 18 and 20)

The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Board of Directors

ELLIS JACOB
Director

ANTHONY MUNK
Director

Cineplex Galaxy Limited Partnership

Consolidated Statements of Income

For the years ended December 31, 2004 and 2003 (expressed in thousands of Canadian dollars)

	Year ended December 31, 2004	Period from January 1, 2003 to November 25, 2003	Period from November 26, 2003 to December 31, 2003	Period from January 1, 2003 to December 31, 2003
Revenue				
Box office	$ 235,446	$ 197,009	$ 28,295	$ 225,304
Concessions	95,478	77,651	11,908	89,559
Other	22,814	17,781	3,108	20,889
	353,738	292,441	43,311	335,752
Expenses				
Film cost	121,276	102,425	14,884	117,309
Cost of concessions	18,983	15,803	2,335	18,138
Occupancy	53,238	46,251	5,284	51,535
Other theatre operating expenses	71,077	58,361	6,775	65,136
General and administrative	13,983	14,052	1,121	15,173
Management fee (note 10)	650	7,602	62	7,664
	279,207	244,494	30,461	274,955
Income before undernoted	74,531	47,947	12,850	60,797
Amortization	23,736	18,028	2,085	20,113
Gain on disposal of theatre assets	(111)	(92)	-	(92)
Interest on long-term debt	8,280	3,335	685	4,020
Interest on loan from Cineplex Galaxy Trust (note 9)	14,000	-	1,381	1,381
Interest income	(473)	(908)	(14)	(922)
Foreign exchange gain	-	(3,696)	-	(3,696)
Income before income taxes and non-controlling interests	29,099	31,280	8,713	39,993
Provision for (recovery of) income taxes (note 16)				
Current	404	466	12	478
Future	(1,553)	(112)	-	(112)
	(1,149)	354	12	366
Income before non-controlling interests	30,248	30,926	8,701	39,627
Non-controlling interests	-	304	-	304
Net income	$ 30,248	$ 30,622	$ 8,701	$ 39,323

Basis of presentation (note 2)

The accompanying notes are an integral part of these consolidated financial statements.

Cineplex Galaxy Limited Partnership

Consolidated Statements of Partners' Deficiency

For the years ended December 31, 2004 and 2003 (expressed in thousands of Canadian dollars)

	Partners' capital (note 13)	Deficit	Accumulated earnings	Accumulated distributions	Total
Balance - January 1, 2004 as restated	$ 110,425	$ (147,819)	$ 8,701	$ (3,937)	$ (32,630)
Distributions declared	-	-	-	(40,683)	(40,683)
Formation of Partnership issuance costs (note 13)	(222)	-	-	-	(222)
Contribution of capital on acquisition of theatres (note 13)	-	24	-	-	24
Net income	-	-	30,248	-	30,248
Balance - December 31, 2004	$ 110,203	$ (147,795)	$ 38,949	$ (44,620)	$ (43,263)

	Partners' capital (note 13)	Capital stock (note 13)	Contributed surplus (note 13)	Deficit	Accumulated earnings	Accumulated distributions	Total
Balance - December 31, 2002, as previously reported	$ -	$ 480,300	$ 120,590	$ (509,362)	$ -	$ -	$ 91,528
Adoption of new accounting standard (note 2)	-	-	-	(104)	-	-	(104)
Balance - December 31, 2002 as restated	-	480,300	120,590	(509,466)	-	-	91,424
Net income for the period from January 1, 2003 to November 25, 2003	-	-	-	30,622	-	-	30,622
Balance - November 25, 2003 as restated	-	480,300	120,590	(478,844)	-	-	122,046
Formation of Partnership (note 1)	-	-	-	(147,819)	-	-	(147,819)
Issuance of units - net of issuance costs	110,425	-	-	-	-	-	110,425
Distributions	-	-	-	-	-	(3,937)	(3,937)
Net income for the period from November 26, 2003 to December 31, 2003	-	-	-	-	8,701	-	8,701
Balance - December 31, 2003 as restated	$ 110,425	$ -	$ -	$ (147,819)	$ 8,701	$ (3,937)	$ (32,630)

Basis of presentation (note 2)

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended December 31, 2004 and 2003 (expressed in thousands of Canadian dollars)

	Year ended December 31, 2004	Period from January 1, 2003 to November 25, 2003	Period from November 26, 2003 to December 31, 2003	Period from January 1, 2003 to December 31, 2003
Cash provided by (used in)				
Operating activities				
Net income	$ 30,248	$ 30,622	$ 8,701	$ 39,323
Adjustments to reconcile net income to net cash provided by operating activities				
Amortization of property, equipment and leaseholds, deferred charges and other intangibles	23,736	18,028	2,085	20,113
Amortization of tenant inducements and rent averaging liabilities	(5,352)	(3,973)	(415)	(4,388)
Amortization of debt issuance costs	950	153	68	221
Future income taxes (note 16)	(1,553)	(112)	-	(112)
Gain on disposal of theatre assets	(111)	(92)	-	(92)
Non-controlling interests	-	304	-	304
Restructuring charges paid during the period	-	(4,924)	-	(4,924)
Reorganization costs paid during the period	-	(16)	-	(16)
Changes in operating assets and liabilities (note 17)	(7,808)	418	19,184	19,602
	40,110	40,408	29,623	70,031
Investing activities				
Proceeds from sale of theatre assets	122	187	-	187
Acquisition of minority interest in GEI (note 1)	-	-	(17,260)	(17,260)
Advance to Loews Cineplex Theatres, Inc.	-	(29,356)	-	(29,356)
Capital expenditures	(22,803)	(46,019)	(962)	(46,981)
Cash transferred to segregated account for future distributions (note 2)	(7,606)	-	-	-
	(30,287)	(75,188)	(18,222)	(93,410)
Financing activities				
Borrowings under credit facility (note 8)	15,500	12,000	107,533	119,533
Borrowings from Cineplex Galaxy Trust (note 9)	-	-	100,000	100,000
Issuance of Partnership units - net of issuance costs (notes 1 and 13)	(222)	-	110,425	110,425
Return of capital to COC shareholders	-	-	(217,186)	(217,186)
COC cash not transferred into Partnership (note 1)	-	-	(33,751)	(33,751)
Repayment of Priority Secured Credit Agreement	-	(216)	-	(216)
Repurchase of GEI common shares	-	-	(46,666)	(46,666)
Tenant inducements	3,708	5,942	-	5,942
Repayment of long-term debt	(49)	(654)	(31,500)	(32,154)
Distributions paid	(33,624)	-	-	-
	(14,687)	17,072	(11,145)	5,927
Increase (decrease) in cash and cash equivalents during the period	(4,864)	(17,708)	256	(17,452)
Cash and cash equivalents - Beginning of period	43,527	60,979	43,271	60,979
Cash and cash equivalents - End of period	$ 38,663	$ 43,271	$ 43,527	$ 43,527
Supplemental information				
Cash paid for interest	$ 21,140	$ 3,037	$ 1,975	$ 5,012
Cash paid for income taxes - net	$ 218	$ 656	$ 10	$ 666

Basis of presentation (note 2)

The accompanying notes are an integral part of these consolidated financial statements.

1. DESCRIPTION OF BUSINESS

Cineplex Galaxy Limited Partnership (the "Partnership") was formed on November 26, 2003 to acquire substantially all of the theatre business assets and liabilities of Cineplex Odeon Corporation ("COC") and all of the shares of Galaxy Entertainment Inc. ("GEI"). The Partnership represents Canada's second largest film exhibition organization with theatres in six provinces. The Partnership serves both major metropolitan and mid-sized markets with principal geographic areas being Toronto, Montreal, Vancouver, Calgary, Edmonton, Ottawa and Quebec City. The Partnership operates theatres under the Cineplex Odeon and Galaxy names. As of December 31, 2004, the Partnership owns, or has interests in, and operates 775 screens at 86 locations. Included in the screen and theatre counts are 57 screens in seven theatres in which the Partnership holds a partnership interest.

The Partnership's investors are comprised of Cineplex Galaxy Trust (the "Trust"), Cineplex Galaxy General Partnership Corporation (the "General Partner"), COC, Cineplex Odeon (Quebec) Inc., Onex Corporation ("Onex") and other former investors in GEI. The Trust is wholly owned by Cineplex Galaxy Income Fund (the "Fund").

The Fund is an unincorporated, open-ended, limited purpose trust established under the laws of Ontario on October 2, 2003. On November 26, 2003, the Fund issued 17,500,000 units at $10.00 per unit and used these funds to subscribe for units (the "Trust Units") and Series 1 notes (the "Series 1 Trust Notes") of the Trust. The Trust in turn subscribed for Class A Partnership units ("Class A LP Units") representing approximately 36.8% of the outstanding Partnership units, subscribed for shares in the capital of the General Partner representing approximately 36.8% of the outstanding shares of the General Partner and advanced $100,000 (the "Galaxy Notes") to Cineplex Galaxy Acquisition Inc. ("Cineplex Galaxy Acquisition"). The Partnership used the proceeds from the sale of the Partnership units, the proceeds from the issuance of the Galaxy Notes, the proceeds from the New Credit Facilities (note 8), together with the issuance of Class B Series 1 and Series 2 Partnership units ("Class B LP Units") to fund the acquisition of substantially all of the theatre business assets and liabilities of COC, to subscribe for the shares of Cineplex Galaxy Acquisition and to pay the expenses of the Fund Offering (the "Offering"). The underwriters' fees and other Offering costs were reimbursed to the Fund pursuant to a reimbursement agreement with the Partnership. In addition, all administration costs incurred by the Fund are reimbursed to the Fund by the Partnership.

Cineplex Galaxy Acquisition used funds from the Galaxy Notes to acquire the shares of GEI in exchange for shares of Cineplex Galaxy Acquisition and Class B LP Units. Subsequent to the amalgamation of Cineplex Galaxy Acquisition and GEI, $31,500 borrowed by GEI under its demand operating credit facility was repaid in full. Of this repaid debt, $8,000 represented banker's acceptances that were not cancelled until maturity in 2004 despite full repayment made in 2003 (note 2).

On December 24, 2003, the underwriters of the Offering exercised their over-allotment option to purchase 1,900,000 additional units at a purchase price of $10.00 per unit, for gross proceeds of $19,000. The gross proceeds were used by the Fund to acquire an additional indirect interest of approximately 4.0% in the Partnership. After giving effect to the over-allotment, the Fund indirectly owned an approximate 40.8% interest in the Partnership.

During 2004, under the provisions of the Exchange Agreement, the Fund issued units in a one-for-one exchange of Class B LP Units (note 13). As at December 31, 2004, the Fund indirectly owns approximately 42.1% of the Partnership.

The following table is a summary of the transactions and details of the November 26, 2003 formation of the Partnership:

	Units	Amount
The Fund		
Issuance of units	19,400,000	$ 194,000
Investment in Trust Units	19,400,000	(17,460)
Investment in Series 1 Trust Notes	-	(176,540)
The Trust		
Issuance of units to the Fund	19,400,000	17,460
Issuance of Series 1 Trust Notes to the Fund	-	176,540
Investment in Class A LP Units	19,400,000	(93,998)
Investment in General Partner	-	(2)
Issuance of Galaxy Notes	-	(100,000)
The Consolidated Partnership		
Issuance of Class A LP Units to the Trust	19,400,000	93,998
General Partner contribution to the Partnership	-	2
Costs of Offering	-	(14,520)
Issuance of Galaxy Notes to the Trust	-	100,000
New Credit Facilities - net of fees	-	107,533
Repayment of GEI credit facility	-	(31,500)
Return of capital to COC shareholders	-	(217,186)
Acquisition of minority interest in GEI	-	(17,260)
Repurchase of GEI common shares	-	(46,666)
Issuance of Class B, Series 1 units to acquire COC assets and GEI shares (*)	20,949,582	16,860
Issuance of Class B, Series 2-C units to acquire COC assets (*)	2,086,957	-
Issuance of Class B, Series 2-G units to acquire GEI shares (*)	5,130,435	14,085

* The equity value of certain non-cash related party transactions was recorded at a nominal value.

In aggregate, the following COC assets and liabilities were not transferred into the Partnership:

Cash	$ 33,751
Net working capital and other items	(12,927)
Due from Loews Cineplex Theatres, Inc. ("LCT")	10,820
Property, equipment and leaseholds	15,714
Long-term debt	(29,973)
	$ 17,385

The difference in value of the COC net assets acquired at their carrying value and the consideration paid by the Partnership were recorded as a charge to partners' deficiency as these are related party transactions. The payment of expenses of the Offering was also recorded as a charge to partners' deficiency.

Prior to the acquisition, GEI was controlled by Onex, a majority shareholder of LCT, with the remaining 27% interest held by other investors. As a result of the acquisition of the shares in GEI from non-controlling interests by the Partnership, the exchange of shares of GEI for cash, shares of Cineplex Galaxy Acquisition and Class B LP Units was accounted for as a step-by-step purchase and has been measured at fair value. Application of these provisions resulted in a step up in the carrying value of GEI's property, equipment and leaseholds in the amount of $1,885, and intangible assets including trade name and advertising contracts of $1,566 and $351, respectively. Additional goodwill in the amount of $14,998 was recorded to reflect the excess of the purchase price of the non-controlling shareholders' interest in GEI over the fair value of the identifiable assets and liabilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The formation of the Partnership has been accounted for under the continuity of interests approach, as there was no substantive change in the ultimate ownership interests of the Partnership. Accordingly, these consolidated financial statements reflect the financial position, results of operations and cash flows as if the Partnership has always carried on the businesses formerly carried on by COC and GEI. The comparative consolidated financial statements of the Partnership prior to the legal formation of the Partnership on November 26, 2003 are not necessarily indicative of the results that would have been attained if COC and GEI had operated as a single legal entity during the periods presented and, therefore, are not necessarily indicative of future operating results. No adjustments have been made to the Partnership financial statements prior to November 26, 2003 to reflect incremental changes to the cost structure as a result of the legal formation of the Partnership on November 26, 2003.

All assets and liabilities are recorded at historical cost with the exception of those assets and liabilities attributed to the non-controlling interest in GEI (note 1).

Consolidation

Majority-owned companies are consolidated and investments in joint ventures are accounted for using proportionate consolidation. Significant intercompany accounts and transactions have been eliminated.

The comparative consolidated financial statements include the accounts of the Partnership and its wholly owned subsidiaries and GEI.

Cash and cash equivalents

The Partnership considers all operating funds held in financial institutions, cash held by the theatres and all highly liquid investments with original maturities of three months or less when purchased to be cash and cash equivalents.

Restricted cash

Restricted cash represents year to date distributions accrued and maintained in a segregated Partnership bank account for Class B, Series 2 Limited Partnership units (the "Support Units") (note 14).

Revenues

Box office and concession revenues are recognized, net of applicable taxes, when sales are received at the theatres. Other revenues are recognized when services are provided. Amounts collected on advance ticket sales, screen advertising agreements and the sale of gift certificates are deferred and recognized in the period earned or redeemed.

Film rental costs

Film rental costs are recorded based upon the terms of the respective film licence agreements. In some cases, the final film cost is dependent upon the ultimate duration of the film play, and until this is known, management uses its best estimate of the ultimate settlement of these film costs. Film costs and the related film costs payable are adjusted to the final film settlement in the period the Partnership settles with the distributors. Actual settlement of these film costs could differ from those estimates.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined by the first-in, first-out method.

Property, equipment and leaseholds

Property, equipment and leaseholds are stated at historical cost, less accumulated amortization. Construction-in-progress is amortized from the date the asset is ready for productive use.

Amortization is provided on the straight-line basis over the following useful lives:

Buildings (a)	30 to 40 years
Equipment	5 to 10 years
Leasehold improvements	life of lease but not in excess of useful lives

(a) For owned buildings constructed on leased property, the useful lives do not exceed the terms of the land lease.

Property, equipment and leaseholds are evaluated for impairment in accordance with The Canadian Institute of Chartered Accountants' ("CICA") handbook Section 3063, Impairment of Long-Lived Assets. The Partnership assesses the recoverability of its long-lived assets by determining whether the carrying value of these assets over the remaining life can be recovered through undiscounted projected cash flows associated with these assets. Generally, this is determined on a theatre-by-theatre basis for theatre related assets. In making its assessment, the Partnership also considers the useful lives of its assets, the competitive landscape in which those assets are used, the introduction of new

technologies within the industry and other factors affecting the sustainability of asset cash flows. While the Partnership believes its estimates of the future cash flows are reasonable, different assumptions regarding such cash flows could materially affect the evaluation. In the event such cash flows are not expected to be sufficient to recover the carrying amount of the assets, the assets are written down to their estimated fair values.

Consideration received by a vendor

The Partnership receives rebates from certain vendors with respect to the purchase of concession goods. Payments received from vendors are composed of amounts for purchases made by the Partnership from the vendor in addition to amounts paid for advertising undertaken by the theatres on behalf of the vendor. The Partnership previously recorded all rebates received as a reduction of concession costs. Under Emerging Issues Committee (''EIC'') Abstract 144, Accounting By A Customer (Including A Reseller) For Certain Consideration Received From A Vendor, the Partnership continues to recognize rebates earned for purchases of a vendor's product as a reduction of concession costs; however, it is required to recognize rebates received for services delivered to the vendor as revenue. As a result, the Partnership has recorded rebates received with respect to advertising services performed for the vendor as other revenue. As required by EIC-144, the Partnership has applied this change in accounting policy retroactively resulting in an increase in other revenue and concession costs for the year ended December 31, 2004 of $1,950 and $1,929 for the year ended December 31, 2003.

Asset retirement obligation

The Partnership implemented, on a retroactive basis with prior periods restated, the new CICA accounting standard for asset retirement obligations, which is effective for years beginning on or after January 1, 2004. The standard addresses the recognition and measurement of legal obligations associated with the retirement of property, equipment and leaseholds when those obligations result from the acquisition, construction, development or normal operation of the asset. The standard requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The fair value is added to the carrying amount of the associated asset and amortized over the estimated remaining life of the corresponding asset. The asset retirement obligation accretes due to the increase in the fair value resulting from the passage of time. This accretion amount is charged to other theatre operating expense for the period.

As a result of the retroactive implementation of this new standard, the cumulative impact on beginning balances is as follows:

	January 1, 2003
Partners' deficit	$ (104)
Property, equipment and leaseholds	$ 89
Other liabilities	$ 193

The Partnership has recognized a discounted liability associated with obligations arising from specific provisions in certain lease agreements regarding the exiting of leased properties at the end of the respective lease terms and the removal of certain property, equipment and leaseholds from the leased building (note 12). The impact on net earnings for 2003 and 2004 was negligible.

The total undiscounted amount of the estimated cash flows required to settle the obligations, factoring in the effect of inflation and the dates that the leases are expected to end, which range from May 2005 to December 2045, has been estimated to be $1,100. The credit-adjusted risk free rate at which the cash flows have been discounted is 6.27%.

Capitalized interest

The Partnership capitalizes interest on amounts drawn on the Development Facility that are used to finance the ongoing development of theatre projects (note 20). Interest is capitalized on projects under development up to the date the theatre enters productive use. During the year ended December 31, 2004, the Partnership has capitalized $201.

Goodwill

Goodwill represents the excess purchase price of acquired businesses over the estimated fair value of the net assets acquired. GEI is the only entity with goodwill recorded in the consolidated financial statements. Goodwill is not amortized but is reviewed for impairment annually or more frequently if impairment indicators arise. A goodwill impairment loss will be recognized in net income if the estimated fair value of the goodwill is less than its carrying amount.

Intangible assets

Intangible assets represent the value of the trade name and advertising contracts of GEI. As the useful life of the trade name is indefinite, no amortization is recorded. The advertising contracts have limited lives and are amortized over their useful lives, estimated to be approximately nine years.

Pre-opening costs

Expenses incurred for advertising/marketing and staff training related to the opening of new theatres are expensed as incurred and included in operating expenses. Pre-opening costs for the years ended December 31, 2004 and 2003 were $123 and $1,214, respectively.

Deferred charges

Deferred charges consist principally of debt issuance costs and long-term assets. Debt issuance costs are amortized over the term of the related debt and included in interest expense.

Financial instruments

a) Fair value of financial instruments

Cash and cash equivalents, restricted cash, accounts receivable, prepaid expenses and other current assets, due to and due from related parties, accounts payable and accrued expenses and distributions payable are reflected in the financial statements at carrying values, which

approximate fair value because of the short-term maturity of these financial instruments or, in the case of long-term debt, the rate of interest applicable to the corresponding item. Financial instruments also include the Galaxy Notes that mature on November 26, 2028 and bear interest at 14% per annum. The fair value of the Galaxy Notes is not practicable to determine given the many factors, terms and conditions that would influence such a determination.

b) Foreign currency risk
COC was exposed to foreign currency risks primarily as a result of its borrowings denominated in U.S. dollars. These borrowings were not assumed by the Partnership.

c) Interest rate risk
The Partnership is exposed to interest rate risk as a result of the $100,000 fixed rate Galaxy Notes (note 1). Interest rate risk is the risk that the fair value of the financial instrument will fluctuate due to changes in market interest rates.

d) Derivative financial instruments - hedging transactions
Effective January 1, 2004, the Partnership prospectively adopted CICA Accounting Guideline 13 (“AcG 13”), “Hedging Relationships”. AcG 13 addresses the identification, designation, documentation and effectiveness of hedging transactions for the purpose of applying hedge accounting. It also establishes conditions for applying, and the discontinuance of, hedge accounting and hedge effectiveness testing requirements. Under the new guideline, the Partnership is required to document its hedging transactions and explicitly demonstrate that hedges are effective in order to continue hedge accounting for positions hedged with derivatives. Any derivative financial instruments that fail to meet the hedging criteria will be accounted for in accordance with EIC-128, “Accounting for Trading, Speculative or Non-Hedging Derivative Financial Instruments”. These instruments will be recorded on the balance sheets at fair value, and changes in fair value will be recognized in income in the period in which the change occurs.

The Partnership enters into interest rate swaps in order to reduce the impact of fluctuating interest rates on its long-term debt (note 8). These swap agreements require the periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. In connection with the implementation of AcG 13, the Partnership considered its hedging relationships as at January 1, 2004 and for the remainder of the year ended December 31, 2004, and determined that its interest rate swap agreement on its Term Facility qualified for hedge accounting for Canadian GAAP purposes and, therefore, the estimated fair value of the swap is not recognized on the balance sheets. Interest expense on the debt is adjusted to include the payments made or received under the interest rate swaps.

Realized and unrealized gains or losses associated with derivative instruments, which have been terminated or cease to be effective prior to maturity, are deferred on the balance sheets and recognized in income in the period in which the underlying hedged transaction is recognized. In the event a designated hedged item is sold, extinguished or matures prior to the termination of the related derivative instrument, any realized or unrealized gain or loss on such derivative instrument is recognized in income.

Leases

Tenant inducements received are amortized into occupancy expenses over the term of the related lease agreement. Lease payments are recorded in occupancy expenses on a straight-line basis over the term of the related lease. The unamortized portion of tenant inducements and the difference between the straight-line rent expense and the payments, as stipulated under the lease agreement, are included in other liabilities.

Income taxes

The Partnership is not subject to income or capital taxes, as the income, if any, is taxed in the hands of the individual partners.

Income taxes for the Partnership's subsidiary, GEI, are accounted for under the asset and liability method, whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax base. Future tax assets and liabilities are measured using enacted or substantially enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Future income tax assets are recorded in the financial statements to the extent that realization of such benefits is more likely than not.

Foreign currency translation

The consolidated financial statements have been presented in Canadian dollars because it is the currency of the primary economic environment in which the Partnership conducts its operations.

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange in effect as of the balance sheets dates. Non-monetary assets and liabilities and revenues and expenses are translated at the exchange rate in effect at the date of the transaction. Exchange gains and losses arising from translation are included in operations.

In substance defeasance of debt

Under CICA handbook Section 3860, the Partnership offset the outstanding liability under GEI's unsettled banker's acceptances in the amount of $8,000 as at December 31, 2003 against the equivalent amount repaid and held by the issuer of the banker's acceptances (note 1). The entire amount was settled during 2004 with no amount required to be recorded in the financial statements.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions 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 revenues and expenses during the reporting period. The most significant assumptions made by management in the preparation of the financial statements relate to the assessment of theatre cash flows to identify potential asset impairments, the assessment of the fair value of GEI to identify a potential goodwill impairment, the value of gift certificates that remain unutilized and in circulation for revenue recognition purposes, the film cost payable accrual, valuation of future income tax assets and the determination of the asset retirement obligation as certain leases may require the retirement of leaseholds, and this outcome is at the landlords' discretion at the end of the lease. Actual results could differ from those estimates.

3. ACCOUNTS RECEIVABLE

Accounts receivable consist of:

	2004	2003
Trade receivables	$ 9,521	$ 5,301
Other	1,416	2,500
	$ 10,937	$ 7,801

4. PROPERTY, EQUIPMENT AND LEASEHOLDS

Property, equipment and leaseholds consist of:

	2004		
	Cost	Accumulated amortization	Net
Land	$ 11,379	$ -	$ 11,379
Buildings and leasehold improvements	251,509	94,728	156,781
Equipment	169,683	103,364	66,319
Construction-in-progress	375	-	375
	$ 432,946	$ 198,092	$ 234,854

	2003		
	Cost	Accumulated amortization	Net
Land	$ 11,369	$ -	$ 11,369
Buildings and leasehold improvements	231,052	82,952	148,100
Equipment	158,006	91,724	66,282
Construction-in-progress	6,512	-	6,512
	$ 406,939	$ 174,676	$ 232,263

Amortization during the year ended December 31, 2004 was $23,407 (2003 - $19,891).

5. DEFERRED CHARGES AND OTHER INTANGIBLES

Deferred charges and other intangibles consist of:

	2004		
	Cost	Accumulated amortization	Net
Deferred charges	$ 4,776	$ 2,678	$ 2,098
Intangible assets with finite lives	351	40	311
Intangible assets with indefinite lives	1,566	-	1,566
	$ 6,693	$ 2,718	$ 3,975

	2003		
	Cost	Accumulated amortization	Net
Deferred charges	$ 4,441	$ 1,439	$ 3,002
Intangible assets with finite lives	351	-	351
Intangible assets with indefinite lives	1,566	-	1,566
	$ 6,358	$ 1,439	$ 4,919

Amortization during the year ended December 31, 2004 was $1,279 (December 31, 2003 - $443).

6. BANK INDEBTEDNESS

On July 21, 2000, GEI entered into a demand operating credit facility of up to $20,000. On April 11, 2002, the operating credit facility was increased to $25,000, and on April 17, 2003, the operating credit facility was further increased to $35,000. The credit facility bore interest at variable rates based on the prime lending rate or banker's acceptances. The Partnership paid a standby fee on the unadvanced portion of the credit facility at a rate of 0.25% per annum.

As at November 25, 2003, GEI had drawn $31,500 under the demand operating credit facility. This amount was repaid in its entirety on November 26, 2003 (note 1) and the facility is no longer available.

As summarized below, GEI entered into interest rate swap agreements, whereby GEI received floating rates of interest and paid fixed rates of interest. These swap agreements were cancelled on November 26, 2003, and the mark-to market adjustment on the old swaps was transferred into the terms of the new interest rate swap agreement as disclosed in note 8.

Date entered into	Amount	Fixed rate	Term
December 2001	$ 2,000	3.86%	3 years
April 2002	$ 2,000	5.12%	2 years
July 2002	$ 2,000	5.30%	3 years
June 2003	$ 2,000	4.05%	2 years

7. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of:

	2004	2003
Accounts payable - trade	$ 1,538	$ 6,100
Film and advertising payables	10,160	12,648
Other payables and accrued expenses	15,956	15,362
	$ 27,654	$ 34,110

8. LONG-TERM DEBT

Long-term debt consists of:

	2004	2003
Term facility due November 26, 2006	$ 110,000	$ 110,000
Development Facility due November 26, 2006	15,500	-
Other	64	113
	125,564	110,113
Less: Current portion	52	46
	$ 125,512	$ 110,067

On November 26, 2003, the Partnership entered into a credit agreement with a syndicate of banks consisting of the following facilities (collectively, the "New Credit Facilities"):

a) a $20,000 senior secured revolving term facility maturing November 26, 2006 (the "Working Capital Facility");
b) a $40,000 senior secured revolving term facility maturing November 26, 2006 (the "Development Facility"); and
c) a $110,000 senior secured term facility maturing November 26, 2006 (the "Term Facility").

The Working Capital Facility is for general corporate purposes, including up to $10,000 to stabilize monthly cash distributions to be paid by the Partnership throughout the year. The purpose of the Development Facility is to finance the development or acquisition of theatre projects approved by the Trustees of the Fund. Both the Working Capital Facility and Development Facility are repayable at maturity with no scheduled repayments of principal required prior to maturity.

Loans under the New Credit Facilities are repayable without any prepayment penalties and bear interest at a floating rate based on the Canadian dollar prime rate or on the banker's acceptance rates plus, in each case, an applicable margin to those rates, which will vary based on certain financial ratios. As at December 31, 2004, the Partnership was subject to a margin of 1.50% (2003 - 1.25%) on the prime rate and 2.50% (2003 - 2.25%) on the banker's acceptance rate, plus a 0.125% (2003 - 0.125%) per annum fee for letters of credit issued on the Working Capital Facility and the Development Facility. The average interest rate on borrowing under the New Credit Facilities was

5.7% for the year ended December 31, 2004 and 5.4% for the period ended December 31, 2003. The Partnership will pay a commitment fee on the daily unadvanced portion of the Working Capital Facility and the Development Facility, which will vary based on certain financial ratios, and was 0.575% at December 31, 2004 and 0.575% at December 31, 2003. The New Credit Facilities provide for certain restrictive undertakings and covenants to be complied with by the Partnership. As of December 31, 2004, the Partnership was in compliance with its debt covenants.

The New Credit Facilities are secured by all of the Partnership's assets, including (i) the Partnership's shares of GEI; and (ii) the assets of the Partnership, the General Partner and GEI. The New Credit Facilities are also guaranteed by GEI. In addition, the Trust has guaranteed the New Credit Facilities and has granted a security interest over its assets, including a pledge of its Class A LP Units, shares of the General Partner and the Galaxy Notes.

Annual maturities of obligations under long-term debt for the next two years are set forth as follows:

2005	$ 52
2006	125,512
	$ 125,564

Effective November 26, 2003, the Partnership entered into an interest rate swap. In accordance with this swap agreement, the Partnership pays an interest rate of 4.29% and receives a floating rate. The swap is for a term of three years and the initial principal outstanding is $44,000. The principal outstanding under the swap increased to $77,000 on August 26, 2004 and increases to $110,000 on May 26, 2005. The purpose of the swap is to act as a cash flow hedge to manage the floating rate payable under the Term Facility.

As at December 31, 2004, the estimated fair value of the swap is an unrealized loss of $2,355. As at December 31, 2003, the estimated fair value of the swap was an unrealized loss of $1,500. In accordance with GAAP, these losses have not been recognized on the balance sheets (note 2).

On March 21, 2002, COC borrowed US$20,000 under a term loan. The maturity date was March 31, 2007. Principal repayments were made quarterly and commenced May 31, 2002. The term loan bore interest at the base rate (as defined) plus 2.75% or the Adjusted Eurodollar Rate (as defined) plus 3.75% for U.S. dollar loans and at the Canadian Prime Rate (as defined) plus 2.75% or the banker's acceptance rate (as defined) plus 3.75% for Canadian dollar revolving loans. The outstanding balance under the term loan was not assumed by the Partnership.

On November 26, 2003, COC had a mortgage payable due February 2007, bearing interest at 7.38%, that was not assumed by the Partnership.

9. DUE TO CINEPLEX GALAXY TRUST

On November 26, 2003, the Trust entered into an agreement with GEI whereby it loaned to GEI $100,000. The Galaxy Notes bear interest at a rate of 14% per annum payable monthly with the principal due on November 26, 2028. The Galaxy Notes are subordinated to the New Credit Facilities.

10. RELATED PARTY TRANSACTIONS

Due from related parties consists of:

	2004	2003
Due from the Fund	$ 2	$ 2
Due from the Trust	2	458
Due from former investors of COC and GEI	-	1,400
	$ 4	$ 1,860

Due to related parties consists of:

	2004	2003
Due to the Trust	$ -	$ 1,381
Due to COC	373	3,727
	$ 373	$ 5,108

The Partnership has entered into transactions with certain parties to which it is related. A summary of significant transactions with these parties is provided below.

On November 26, 2003, the Partnership was formed through a series of transactions with related parties (note 1). Due from the former investors of COC and GEI represents their share of the fund offering costs arising from the formation of the Partnership.

Under the terms of a Services Agreement entered into between COC and the Partnership dated November 26, 2003, COC provided management information systems support to the Partnership through its former parent, LCT. These services included systems administration and maintenance as well as applications development and support. For the period from January 1, 2004 to July 30, 2004, during which LCT was a related party, the Partnership was charged $390. As a result of the sale of LCT by Onex on July 30, 2004, LCT, which is no longer a related party, provides these services directly to the Partnership. For the period from November 26, 2003 to December 31, 2003, the Partnership was charged $62 for these services. This expense is included in management fees. In addition, COC charged the Partnership $521 in rent for the head office during the year ended December 31, 2004 and $51 for the period November 26, 2003 to December 31, 2003. This expense is included in general and administrative expense. The Partnership provides COC with certain management services for which it charged COC $108 during 2004 and $7 during the period between

November 26, 2003 and December 31, 2003. This revenue is included in other revenue. The Partnership has a payable to COC at December 31, 2004 of $373 arising from favourable property tax reassessments received by the Partnership relating to periods prior to the Partnership's formation. The Partnership had a liability to COC of $3,727 at December 31, 2003, which included the obligation for net working capital acquired by the Partnership. This obligation was paid in full during 2004. All payables and receivables with COC are due on demand and are non-interest bearing.

For the years ended December 31, 2004 and 2003, the Partnership incurred expenses for film rental totalling $25,777 and $27,372, respectively, to Alliance Atlantis Communications Inc. ("Alliance") and Motion Picture Distribution LP ("Motion Picture"). The Partnership had a liability to Alliance and Motion Picture at December 31, 2004 of $1,282 and at December 31, 2003 of $3,337. These expenses are included in film cost. Alliance is a former shareholder of GEI and Ellis Jacob, Chief Executive Officer of the Partnership, is a member of the Board of Directors and Audit Committee of Alliance and the Board of Trustees of Motion Picture.

During 2004, the Partnership reimbursed Onex $74 (2003 - $nil) for costs related to the formation of the Partnership. In April 2004, the Partnership acquired from COC two theatres for nominal consideration (note 13).

Distributions paid to related parties consist of:

	2004	2003
Trust	$ 9,056	$ -
Onex and its subsidiaries	$ 24,214	$ -
Alliance	$ 349	$ -
Other related parties	$ 215	$ -

Distributions payable to related parties consist of:

	2004	2003
Trust	$ 752	$ 788
Onex and its subsidiaries	$ 8,116	$ 2,866
Alliance	$ 781	$ 105
Other related parties	$ 712	$ 95

A trustee of the Fund is the President and Chief Executive Officer of Riocan Real Estate Investment Trust ("Riocan"). Fifteen of the Partnership's theatre properties are under lease commitments with Riocan. Payments to Riocan during the years ended December 31, 2004 and 2003 for these properties were $7,817 and $6,388, respectively. These expenses are included in occupancy expenses. During the year, the Partnership received $1,900 (2003 - $4,938) in tenant inducements from Riocan.

Future minimum rental commitments at December 31, 2004 under the Riocan operating leases are set forth as follows:

2005	$ 7,401
2006	7,454
2007	7,589
2008	7,422
2009	7,231
Thereafter	58,260
	$ 95,357

A Trustee of the Fund is a member of the Board of Directors for the Toronto Film Festival (the "Festival"). During the year, the Partnership provided services to the Festival for which it received payment in the amount of $60. This amount is included in other revenue. Recorded in general and administrative costs are expenses of $35 for the Partnership's sponsorship in the Festival.

LCT provided certain services to COC relating to the following activities: finance, administration and management information systems support. The net amount charged to the Partnership for these services amounted to $7,602 for the period ended November 25, 2003 and is included in management fees. The liability related to these services was not transferred into the Partnership (note 1).

On January 10, 2003, the Company paid Mr. Karp, former president and chief executive officer of COC, a bonus in the amount of $4,844, in full. Mr. Karp ceased to be related to the Partnership as of November 26, 2003.

In April 2003, COC advanced US$20,000 to its parent company, LCT. This advance is also non-interest bearing and due on demand. This advance was not transferred into the Partnership.

Transactions noted above are in the normal course of business and are measured at the exchange amount, unless otherwise noted, which is the amount of consideration established and agreed to by the related parties.

11. EMPLOYEE AND POST-RETIREMENT BENEFIT PLANS

Pension and post-retirement benefit plans

The Partnership sponsors a pension plan covering substantially all full-time employees. Prior to January 1, 1993, this plan was a defined benefit plan and, effective on that date, it was converted into a defined contribution plan. At the date of conversion, benefits under the defined benefit plan were frozen. Member contributions to the pension plan are not permitted.

The Partnership does not provide health or other non-pension, post-retirement benefits to any employees.

Cash contributions

Cash contributed by the Partnership to its defined contribution portion of the plan was $100 (2003 - $nil). In addition, the defined contribution plan is partially funded by the surplus of the defined benefit plan. There were no cash contributions made towards the defined benefit portion of the plan.

Defined benefit portion of the plan

The Partnership measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at December 31 of each year. The most recent actuarial valuation of the pension plan for funding purposes was as of April 19, 2002, and the next required valuation will be as of April 2005.

The current fiscal year is measured from January 1 to December 31; prior to 2004, a fiscal year of March 1 to February 28 was used. The results provided below for the 2003 fiscal year, therefore, reflect the 10-month period from March 1, 2003 to December 31, 2003.

Reconciliation of the accrued benefit obligation - defined benefit portion of the plan

	2004	2003
Balance - Beginning of year	$ 1,980	$ 2,040
Interest cost	115	112
Benefits paid	(129)	(162)
Actuarial losses (gains)	46	(10)
Balance - End of year	$ 2,012	$ 1,980

Reconciliation of the fair value of assets - defined benefit portion of the plan

	2004	2003
Balance - Beginning of year	$ 2,224	$ 2,478
Actual return on plan assets	180	88
Employer contributions - transfer to defined contribution plan	(242)	(180)
Benefits paid	(129)	(162)
Balance - End of year	$ 2,033	$ 2,224

Defined benefit portion of the plan assets consist of:

	2004	2003
Equity securities	60.0%	60.1%
Debt securities	38.4%	38.3%
Other	1.6%	1.6%
	100.0%	100.0%

Reconciliation of the funded status of the defined benefit portion of the plan

	2004	2003
Fair value of plan assets	$ 2,033	$ 2,224
Accrued benefit obligation	(2,012)	(1,980)
Funded status of plan as of January 1 - surplus	21	244
Unamortized net actuarial loss	784	822
Unamortized transitional asset	(1,394)	(1,531)
Accrued benefit liability	$ (589)	$ (465)

Elements of defined benefit costs recognized in the year

	2004	2003
Interest cost	$ 115	$ 112
Actual return on plan assets	(180)	(88)
Actuarial losses (gains)	46	(10)
Elements of future pension costs before adjustments to recognize long-term nature	(19)	14
Adjustments to recognize long-term nature of future pension costs		
Difference between expected and actual return on plan assets	37	(47)
Difference between recognized and actual actuarial loss	-	44
Amortization of transitional asset	(136)	(102)
	(99)	(105)
Pension costs recognized	$ (118)	$ (91)

Significant assumptions

The significant assumptions used are as follows:

	2004	2003
Accrued benefit obligation as of December 31		
Discount rate	**5.75%**	6.00%
Pension costs for years ended December 31		
Discount rate	**6.00%**	6.50%
Expected long-term rate of return on plan assets	**7.00%**	7.00%

Defined contribution portion of the plan

The total cost recognized for the defined contribution portion of the plan is as follows:

	2004	2003
Total cost paid from defined benefit provision surplus	**$ 242**	$ 180
Total cost paid by cash contributions from the Partnership	**100**	-
	$ 342	$ 180

12. OTHER LIABILITIES

Other liabilities consist of the following:

	2004	2003
Deferred tenant inducements	**$ 74,458**	$ 71,723
Excess of straight-line amortization over lease payments	**10,915**	10,831
Asset retirement obligation (note 2)	**228**	206
Other	**4,183**	3,950
	$ 89,784	$ 86,710

13. PARTNERS' CAPITAL

The Partnership is authorized to issue an unlimited number of Class A LP Units, an unlimited number of Class B, Series 1 Partnership units, an unlimited number of Class B, Series 2-C Partnership units and an unlimited number of Class B, Series 2-G Partnership units. The Class B LP Units are indirectly exchangeable for Fund units in the manner set out in an Exchange Agreement dated November 26, 2003. Under the terms of the Exchange Agreement, COC and the former shareholders of GEI may, under certain circumstances, exchange all or any portion of their Class B LP Units for units of the Fund. With respect to the Class B Series 2 LP units, this exchange may not occur until after December 31, 2004. At no time may any exchange be made if there exists an uncured event of default arising on the Series 1 Trust Notes. Class A LP Units and Class B LP Units will have voting rights that are equivalent in all respects; however, under the Limited Partnership Agreement governing the Partnership, Class A LP Units and Class B LP Units have differing distribution rights (note 14).

During 2004, additional costs in the amount of $222, relating to issuance costs arising from the formation of the Partnership in November 2003, were charged to partners' capital.

In April 2004, the Partnership acquired from COC, a related party, two theatres for nominal consideration. The transaction has been recorded by the Partnership at $24, the carrying amount recorded by COC. The difference between COC's carrying value and the consideration paid by the Partnership has been credited to partners' deficit.

There have been no Partnership Units issued or repurchased and cancelled during the year.

Partnership units issued at December 31 are as follows (note 1):

	2004		2003	
	Units	Amount	Units	Amount
Class A Partnership units	19,400,000	$ 79,480	19,400,000	$ 79,480
Class B, Series 1 Partnership units	20,949,582	16,860	20,949,582	16,860
Class B, Series 2-C Partnership units	2,086,957	-	2,086,957	-
Class B, Series 2-G Partnership units	5,130,435	14,085	5,130,435	14,085
	47,566,974	110,425	47,566,974	110,425
Formation of Partnership issuance costs	-	(222)	-	-
Outstanding at December 31	47,566,974	$ 110,203	47,566,974	$ 110,425

The combined contributed surplus noted in the consolidated statements of partners' deficiency originated with COC. The contributed surplus and the COC share capital were not transferred into the Partnership.

14. DISTRIBUTIONS PAYABLE

Distributions accrue on a monthly basis to holders of record of Class A LP Units and Class B LP Units on the last business day of each month subject to the provisions of certain support arrangements contained in the Partnership's Limited Partnership Agreement (the "Support Arrangements"). Distributions will be paid within seven days of the end of each month.

Under the terms of the Support Arrangements, distributions for 5,130,435 Class B Series 2-G units and 2,086,957 Class B Series 2-C units (the "Support Units") of the Partnership are dependent on the performance of seven new theatres that, as at November 26, 2003, had either not yet been opened or had been open for less than one year. Commencing January 2004, distributions on the Support Units were held in a segregated account until the end of the fiscal year when a determination is made regarding the actual cash flows of the new theatres (note 2). A shortfall in the performance of the new theatres would result in a reduction in the distributions to the holders of the Support

Units. The Support Arrangements may continue in effect until December 31, 2006 or may terminate as early as December 31, 2004 dependent on the performance of the seven new theatres (note 23).

Subject to the restrictions under the Support Arrangements, holders of Class B LP Units are entitled to receive, before distributions made by the Partnership to holders of Class A LP Units, a per unit distribution equal to the per unit interest payments made to the Trust in respect of the Galaxy Notes (the "Catch-up Payment"). Any remaining amounts available for distribution will be shared pro rata between the holders of Class A LP Units and Class B LP Units. The purpose of the Catch-up Payment is to ensure that distributions on the Class B LP Units are equal to Class A LP Unit distributions, on a per unit basis, which reflect, in part, payments received by the Trust on the Galaxy Notes.

Where the Partnership is unable to pay the Catch-up Payment out of the assets of the Partnership, under the terms of a keepwell agreement, the Trust will make a contribution to the capital of the Partnership without the issuance of additional Partnership Units to enable the Partnership to meet its obligations. The amount of the contribution will be an amount equal to the shortfall in the per unit distribution to the holders of Class B LP Units. No payments under the keepwell agreement have been made by the Trust.

15. LONG-TERM INCENTIVE PLAN

On January 1, 2004, the officers and key employees of the Partnership became eligible to participate in the Partnership's Long-Term Incentive Plan (the "LTIP"). Pursuant to the LTIP, the Partnership will set aside a pool of funds based upon the amount, if any, by which the Fund's distributable cash per unit (as per the November 3, 2004 amended LTIP agreement), for the entire fiscal year, exceeds certain defined distributable cash threshold amounts. This pool of funds will be transferred to a trustee, which will use the entire amount to purchase Fund units on the open market and will hold the Fund units until such time as ownership vests to each participant. Generally, one-third of these units will vest 30 days after the Fund's financial statements for the corresponding fiscal year are approved by its board of trustees, with an additional one-third vesting on the first and second anniversaries of this date. LTIP participants will be entitled to receive distributions on all Fund units held for their account prior to the applicable vesting date. Unvested units held by the trustee for LTIP participants will be forfeited if the participant resigns or is terminated for cause prior to the applicable vesting date, and those Fund units will be sold and the proceeds returned to the Partnership and excluded from future LTIP calculations.

Initially, the LTIP will provide for awards that may be earned based on the amount by which the Fund's distributable cash per unit exceeds a base distribution threshold of $1.15 per unit per annum. The base distribution threshold is subject to adjustment at least every three years. The percentage amount of that excess which forms the LTIP incentive pool will be determined in accordance with the table below, subject to a $4,000 maximum in any fiscal year.

Percentage by which Fund distributions per unit exceed base distribution threshold	Maximum proportion of excess Fund distributions available for LTIP payments
5% or less	10%
Over 5% to 10%	15% of any excess over 5% to 10%
Greater than 10%	20% of any excess over 10%

LTIP costs are estimated at the grant date based on expected performance results and then accrued and recognized on a graded basis over the vesting period. The effects of changes in estimates of performance results are recognized in the period of change. Forfeitures are recognized as they occur as a reduction to compensation costs. For the year ended December 31, 2004, the Partnership recognized $211 of compensation costs under the LTIP.

16. INCOME TAXES

Income taxes arise with respect to GEI, a subsidiary of the Partnership. The tax effects of temporary differences that give rise to significant portions of the future tax assets and liabilities at December 31, 2004 and 2003 are presented below:

	2004	2003
Future income tax assets		
Financing costs	$ 1,507	$ 1,739
Other	503	639
Total gross future income tax assets	2,010	2,378
Less: Valuation allowance	-	1,742
	2,010	636
Future income tax liabilities		
Property, equipment and leaseholds - difference in net book value and undepreciated capital cost	395	574
Net future income tax asset	$ 1,615	$ 62

The Partnership is not subject to income taxes because its income is taxed directly in the partners' hands. The difference between the tax bases and the financial statement carrying amounts of the Partnership's assets and liabilities is noted below:

	2004		2003	
	Assets	Liabilities	Assets	Liabilities
Financial statement carrying amount	$ 207,734	$ 275,713	$ 189,205	$ 206,675
Tax value	$ 233,770	$ 176,228	$ 261,385	$ 197,366

The tax values of the Partnership are subject to change depending on certain tax elections to be filed by COC.

The provision for (recovery of) income taxes included in the consolidated statements of operations differs from the statutory income tax rate as follows:

	Year ended December 31, 2004	Period from January 1, 2003 to November 25, 2003	Period from November 26, 2003 to December 31, 2003	Period from January 1, 2003 to December 31, 2003
Income before income taxes	$ 29,099	$ 31,280	$ 8,713	$ 39,993
Combined Canadian federal and provincial income tax rates	35.73%	37.02%	36.93%	37.00%
Income tax payable at statutory rates	10,397	11,580	3,218	14,798
Change in valuation allowance	(1,742)	(11,481)	-	(11,481)
Benefit of share issuance costs	1,615	-	-	-
Utilization of loss carry-forwards	(245)	(211)	(432)	(643)
Income not taxable in the Partnership	(11,578)	-	(2,786)	(2,786)
Large corporations tax	201	466	12	478
Other	203	-	-	-
Provision for (recovery of) income taxes	$ (1,149)	$ 354	$ 12	$ 366

17. CASH FLOW STATEMENT

The following summarizes the change in operating assets and liabilities:

	Year ended December 31, 2004	Period from January 1, 2003 to November 25, 2003	Period from November 26, 2003 to December 31, 2003	Period from January 1, 2003 to December 31, 2003
Accounts receivable	$ (1,845)	$ (538)	$ (3,693)	$ (4,231)
Inventories	(136)	(343)	892	549
Prepaid expenses and other current assets	1,221	(4,205)	763	(3,442)
Due from related parties	1,856	-	(2)	(2)
Deferred charges and intangibles	(337)	(760)	22	(738)
Accounts payable and accrued expenses	(6,456)	1,924	13,709	15,633
Due to related parties	(4,735)	7,852	2,136	9,988
Income taxes payable	(81)	(183)	12	(171)
Deferred revenue	2,365	(3,675)	5,298	1,623
Accrued pension liability	124	107	18	125
Other liabilities	247	239	29	268
Restricted cash	(31)	-	-	-
	$ (7,808)	$ 418	$ 19,184	$ 19,602

Certain non-cash transactions occurred related to the business acquisitions. These have been disclosed in note 1 to the financial statements.

18. LEASES

The Partnership conducts a significant part of its operations in leased premises. Leases generally provide for minimum rentals and, in certain situations, percentage rentals based upon sales volume or other identifiable targets and may include escalation clauses and certain other restrictions, and may require the tenant to pay a portion of real estate taxes and other property operating expenses. Lease terms generally range from 15 to 20 years and contain various renewal options, generally in intervals of five to ten years. Certain theatre assets are pledged as security to landlords for rental commitments, subordinated to the New Credit Facilities.

The Partnership's and the Partnership's proportionate share of the joint ventures' future minimum rental commitments at December 31, 2004 under the above-mentioned operating leases are set forth as follows:

2005	$ 36,789
2006	35,802
2007	35,199
2008	33,374
2009	30,527
Thereafter	251,268
	$ 422,959

Minimum rent expense related to operating leases on a straight-line basis was $36,322 (2003 - $34,005). In addition to the minimum rent expense noted above, the Partnership incurred percentage rent charges of $3,709 (2003 - $3,926).

19. JOINT VENTURES

The Partnership participates in incorporated joint ventures with other parties and accounts for its interests using the proportionate consolidation method.

The following amounts represent the proportionate share of the assets, liabilities, revenues and expenses therein:

	2004	2003
Assets	**$ 4,899**	$ 5,420
Liabilities	**$ 960**	$ 622
Revenues	**$ 7,396**	$ 6,685
Expenses	**$ 6,387**	$ 6,090

20. COMMITMENTS AND CONTINGENCIES

Commitments

As of December 31, 2004, the Partnership has aggregate capital commitments of $23,329 primarily related to the completion of construction of five theatre properties comprising 51 screens. The Partnership expects to complete construction and to open these theatres throughout the period from 2005 to 2006.

As of December 31, 2004, the Partnership has commitments of approximately $1,488 (2003 - $nil) related to point-of-sale equipment and re-branding upgrades.

Other

The Partnership is a defendant in various claims and lawsuits arising in the ordinary course of business. From time to time, the Partnership is involved in disputes with landlords, contractors and other third parties. It is the opinion of management that any liability to the Partnership, which may arise as a result of these matters, will not have a material adverse effect on the Partnership's operating results, financial position or cash flows.

As of November 26, 2003, COC was a defendant in a lawsuit regarding certain environmental matters. The lawsuit was not assumed by the Partnership.

21. SEGMENT INFORMATION

The Partnership has determined that the theatre exhibition industry qualifies as a single business segment with all of its revenue and assets generated and held within Canada.

22. COMPARATIVE AMOUNTS

Certain comparative amounts in the financial statements have been reclassified to conform with the current year's financial statement presentation.

23. SUBSEQUENT EVENT (AS OF FEBRUARY 10, 2005)

For the year ended December 31, 2004, the performance targets established in connection with the Fund's initial public offering were met for the seven new theatres and, as a result, the Partnership will release the full amount of the escrowed distributions of $8,297 to the holders of the Class B Series 2 LP Units of the Partnership. Additionally, the Support Arrangements were terminated effective December 31, 2004, and the holders of Class B Series 2 LP Units are thereafter fully entitled to receive cash distributions in a manner consistent with the Class B Series 1 LP Units.

CINEPLEX GALAXY
THEATRE LOCATIONS

BRITISH COLUMBIA

CINEPLEX ODEON ABERDEEN MALL CINEMAS
CINEPLEX ODEON GRANVILLE CINEMAS
CINEPLEX ODEON MEADOWTOWN CENTRE CINEMAS
CINEPLEX ODEON OAKRIDGE CINEMAS
CINEPLEX ODEON PARK & TILFORD CINEMAS
CINEPLEX ODEON STRAWBERRY HILL CINEMAS
CINEPLEX ODEON VICTORIA CINEMAS
GALAXY CINEMAS NANAIMO

ALBERTA

CINEPLEX ODEON CLAREVIEW CINEMAS
CINEPLEX ODEON CROWFOOT CROSSING CINEMAS
CINEPLEX ODEON EAU CLAIRE MARKET CINEMAS
CINEPLEX ODEON EDMONTON CITY CENTRE CINEMAS
CINEPLEX ODEON GRANDE PRAIRIE CINEMAS
CINEPLEX ODEON MEDICINE HAT CINEMAS
CINEPLEX ODEON NORTH EDMONTON CINEMAS
CINEPLEX ODEON SOUTH EDMONTON CINEMAS
CINEPLEX ODEON SUNRIDGE SPECTRUM CINEMAS
CINEPLEX ODEON WESTMALL CINEMAS
GALAXY CINEMAS LETHBRIDGE
GALAXY CINEMAS SHERWOOD PARK

SASKATCHEWAN

CINEPLEX ODEON CENTRE CINEMAS
CINEPLEX ODEON PACIFIC CINEMAS
CINEPLEX ODEON SOUTHLAND CINEMAS
GALAXY CINEMAS MOOSE JAW
GALAXY CINEMAS PRINCE ALBERT
GALAXY CINEMAS REGINA

MANITOBA

CINEPLEX ODEON GRANT PARK CINEMAS

CINEPLEX GALAXY
THEATRE LOCATIONS

ONTARIO

CINEPLEX ODEON AJAX CINEMAS
CINEPLEX ODEON BARRIE GRANDE CINEMAS
CINEPLEX ODEON BRANTFORD CINEMAS
CINEPLEX ODEON CARLTON CINEMAS
CINEPLEX ODEON CLARINGTON PLACE CINEMAS
CINEPLEX ODEON DEVONSHIRE CINEMAS
CINEPLEX ODEON EGLINTON TOWN CENTRE CINEMAS
CINEPLEX ODEON ELGIN MILLS CINEMAS
CINEPLEX ODEON EXCHANGE CENTRE CINEMAS
CINEPLEX ODEON FAIRVIEW MALL CINEMAS
CINEPLEX ODEON FAIRWAY CINEMAS
CINEPLEX ODEON FIRST MARKHAM PLACE CINEMAS
CINEPLEX ODEON GARDINER'S ROAD CINEMAS
CINEPLEX ODEON GRANDE ORION GATE CINEMAS
CINEPLEX ODEON HURON MARKET PLACE CINEMAS
CINEPLEX ODEON MORNINGSIDE CINEMAS
CINEPLEX ODEON NIAGARA SQUARE CINEMAS
CINEPLEX ODEON ORLEANS TOWN CENTRE CINEMAS
CINEPLEX ODEON QUEENSWAY CINEMAS
CINEPLEX ODEON SEAWAY CINEMAS
CINEPLEX ODEON SHEPPARD GRANDE CINEMAS
CINEPLEX ODEON SHOWCASE CINEMAS
CINEPLEX ODEON SOUTH KEYS CINEMAS
CINEPLEX ODEON SQUARE ONE CINEMAS
CINEPLEX ODEON STONE ROAD CINEMAS
CINEPLEX ODEON UPPER JAMES CINEMAS
CINEPLEX ODEON VARSITY CINEMAS
CINEPLEX ODEON WESTMOUNT CINEMAS
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GALAXY CINEMAS ORILLIA
GALAXY CINEMAS OWEN SOUND
GALAXY CINEMAS PETERBOROUGH
GALAXY CINEMAS SAULT STE MARIE
GALAXY CINEMAS ST. THOMAS
GALAXY CINEMAS WATERLOO

QUEBEC

CINEPLEX ODEON BEAUPORT CINEMAS
CINEPLEX ODEON BOUCHERVILLE CINEMAS
CINEPLEX ODEON CAVENDISH CINEMAS
CINEPLEX ODEON CHATEAUGUAY CINEMAS
CINEPLEX ODEON CINE PARC BOUCHERVILLE
CINEPLEX ODEON CINE PARC DE LA COLLINE
CINEPLEX ODEON COTES DES NEIGES CINEMAS
CINEPLEX ODEON DELSON CINEMAS
CINEPLEX ODEON DORION CINEMAS
CINEPLEX ODEON GATINEAU CINEMAS
CINEPLEX ODEON LATIN QUARTER CINEMAS
CINEPLEX ODEON PLACE CHAREST CINEMAS
CINEPLEX ODEON PLACE LA SALLE CINEMAS
CINEPLEX ODEON ST. BRUNO CINEMAS
CINEPLEX ODEON STE FOY CINEMAS
GALAXY CINEMAS SHERBROOKE
GALAXY CINEMAS TROIS RIVIERES
GALAXY CINEMAS VICTORIAVILLE
CINECAPITOL CINEMAS ST. JEAN

CINEPLEX GALAXY

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CIBC MELLON TRUST COMPANY
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ANNUAL MEETING

MAY 19, 2005
10:00AM EASTERN STANDARD TIME
CINEPLEX ODEON VARSITY CINEMAS
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TORONTO, ON

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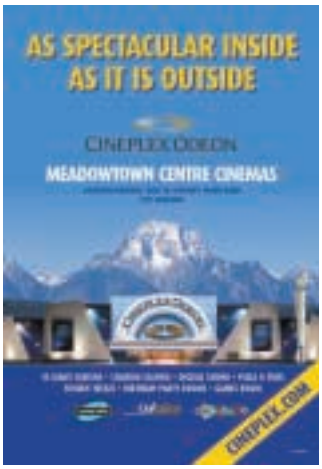
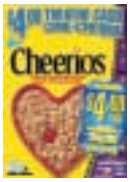
MARKETING

Highlighted here are just a few of the great promotions we have created this year. Our primary objective is to drive traffic to our box office and concession stands through creative marketing campaigns. The campaigns vary depending on the target market and include many different consumer offers, including free tickets, discounts and value-added programs. In addition, we are especially proud of our on-going marketing partnerships with premium companies such as General Mills, Kodak, Coca-Cola and Sony BMG. These marketing programs produced great results for Cineplex Galaxy and we continue to build upon the successes for future programs.





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