2005 THIRD QUARTER REPORT

CINEPLEX GALAXY INCOME FUND

Cineplex Entertainment LP owns, operates or has an interest in 130 theatres with1, 270 screens (after giving effect to the 7 theatres and 80 screens to be divested in Quebec pursuant to a consent agreement with the Canadian Commissioner of Competition). The company operates theatres with the following six top-tier brands: Cineplex Odeon, Coliseum, Colossus, Famous Players, Galaxy and SilverCity.

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Letter to Unitholders:

There has been a great deal of activity and change during the third quarter of 2005 which we have detailed for you in this third quarter report. Since completing the acquisition of Famous Players on July 22, 2005, we have been working diligently to integrate the two companies. We signed a consent agreement with Canada's Competition Bureau that mandated we divest 34 theatres with 282 screens. On September 30, 2005 we completed the sale of 27 theatres, representing 202 screens in Ontario and Western Canada to Empire Theatres Limited for gross proceeds of approximately $83 million. We anticipate completing the sale of the seven theatres totaling 80 screens in the province of Quebec by the end of the fourth quarter. We also sold two Alliance Atlantis theatres in British Columbia, the Fifth Avenue Cinema in Vancouver which is included in this quarter's results and the University 4 Cinemas which will be reported in the fourth quarter as the transaction closed in October. The sale of real estate interests in four theatres to RioCan REIT was also completed during this quarter generating gross proceeds of $67 million. As well, we changed the name of the partnership to Cineplex Entertainment LP which we believe better reflects the business and our industry and capitalizes on the tremendous brand equity we have built into the Cineplex brand over the years. There is no change to the Cineplex Galaxy Income Fund name or the various brands that we use at our theatres.

Canadian Box Office results for this quarter were disappointing due to weak film product with industry results down 11% compared to Cineplex Entertainment's decrease of 10%. This is mainly due to the decline in attendance as a result of continuing weak film product. Third quarter results were impacted by the inclusion of certain one-time and transaction related charges. The third quarter results include the Famous Players results for the period July 22 to September 30, 2005. *Total Revenue* for the three months ended September 30, 2005 was $151.9 million as compared to $85.1 million for the three months ended September 30, 2004. Famous Players contribution to total revenues for the quarter was $73.5 million.

Our combined average *concession revenue per patron* amount of $3.40 consisted of a new Q3 record of $3.18 for the retained Cineplex Galaxy locations and $3.68 for Famous Players locations. *Other Income* increased $6.9 million to $12.7 million of which Famous Players contributed $6.7 million.

A new theatre project previously announced by Famous Players for Saskatoon, Saskatchewan officially began construction with a Ground Breaking Ceremony on August 29, 2005. The 12 screen complex is planned to open in the summer of 2006. The fourth quarter report will detail the launches of our new theatres in Barrhaven which opened in October and in Aurora which will open in December. Previously announced projects in Milton, Brockville, Burloak and Collingwood in Ontario, and in Brossard, Quebec are all moving forward and will open in 2006 as scheduled.

For the third quarter of 2005 *Distributable Cash Flow* per unit was $0.2063 and the *Declared Distribution* per unit for this period was $0.2874. For the twelve months ended December 31, 2004 *Distributable Cash Flow* per unit was $1.2283 and the *Declared Distribution* was $1.1496.

The remainder of 2005 will be focused on continuing to integrate both the people and the assets of Famous Players into Cineplex Entertainment and realizing maximum operational efficiencies.

On behalf of the Board of Directors,

Ellis Jacob
President and Chief Executive Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2005

As of September 30, 2005, Cineplex Galaxy Income Fund indirectly owns an approximate 50.5% interest in Cineplex Entertainment Limited Partnership. Cineplex Galaxy Income Fund does not consolidate the results and operations of Cineplex Entertainment Limited Partnership. For this reason we present unaudited interim financial statements with accompanying notes therein for both Cineplex Galaxy Income Fund and Cineplex Entertainment Limited Partnership. The following management's discussion and analysis of the Cineplex Entertainment 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

On July 22, 2005 Cineplex Entertainment Limited Partnership (the "Partnership") completed the acquisition ("the Acquisition") of the Famous Players Limited Partnership ("Famous Players") movie exhibition business from Viacom Inc. ("Viacom") and Viacom Canada Inc. ("Viacom Canada"), becoming Canada's largest film exhibition operator 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 September 30, 2005, the Partnership owned, operated or had an interest in 1,267 screens in 130 theatres (after giving effect to the divestiture of 80 screens in seven theatres remaining to be divested pursuant to a consent agreement with the Canadian Commissioner of Competition). This total includes 76 screens in 11 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 Entertainment Corporation (the "General Partner"), Cineplex Odeon Corporation, Cineplex Odeon (Quebec) Inc., and former investors in GEI. The Trust is wholly owned by Cineplex Galaxy Income Fund (the "Fund"). On October 3, 2005 the Partnership changed its name from Cineplex Galaxy Limited Partnership to Cineplex Entertainment Limited Partnership.

Under the provisions of an Exchange Agreement designed to facilitate the exchange of units of the Partnership ("Units") into units of the Fund ("Fund Units"), the Fund issued 146,149 and 980,303 Fund Units during the three and nine months ended September 30, 2005 respectively in exchange for Notes and units from the Trust and, as a result, indirectly increased its ownership in the Partnership. As a result of the transactions surrounding the acquisition of Famous Players, discussed below, and the issuance of Fund Units by the Fund during 2004 and 2005, in a one-for-one exchange of Units, as at September 30, 2005 the Fund indirectly owned approximately 50.5% of the Partnership (excluding the Class C Limited Partnership Units ("Class C LP Units").

THE ACQUISITION AND RELATED TRANSACTIONS

During the second quarter the Partnership announced that it had agreed to purchase the Famous Players Canadian movie exhibition business from Viacom. The total consideration incurred by the Partnership for the Acquisition amounted to $468.8 million plus transaction costs. The transaction closed on July 22, 2005.

The Acquisition combined Canada's two leading theatre exhibition companies. Famous Players operated a total of 80 theatres with 785 screens across the country, including theatres in its joint ventures with IMAX and Alliance Atlantis. Famous Players theatres include the Coliseum, Colossus, Paramount and SilverCity brands. A discussion of the accounting implications of the acquisition can be found in Note 2 of the Partnership's interim financial statements.

The Partnership, Viacom and Viacom Canada entered into a purchase agreement dated June 10, 2005 ("Purchase Agreement") pursuant to which the Partnership agreed to acquire Famous Players and its general partner, Famous Players Co., which together hold substantially all the assets and liabilities of Viacom Canada's film exhibition business formerly operated by its Famous Players division, including its subsidiaries' shares and joint venture interests, and excluding liabilities to related parties other than to related parties relating solely to film distributions rights on arm's length terms. The Partnership deposited $17.5 million in an escrow account on June 13, 2005 which was applied toward the cash consideration payable to Viacom Canada. On closing of the transaction, total consideration incurred by the Partnership to acquire the net assets noted above amounts to $468.8 million in cash plus transaction costs and the assumption of capital leases. The Purchase Agreement provides that the net cash flow of the Famous Players business from and including April 29, 2005 to closing of the Acquisition is to be for the account of the Partnership in the form of a purchase price adjustment. This purchase price adjustment has not yet been finalized. The Acquisition was completed on July 22, 2005.

In order to fund the Acquisition, the Partnership entered into a number of transactions. The Partnership issued indirectly to the Fund 6,835,000 Class A Limited Partnership Units ("Class A LP Units") for gross proceeds of approximately $110 million and 5,600,000 Class C Limited Partnership Units ("Class C LP Units") for gross proceeds of $105 million. Class C LP Units will be entitled to a distribution equal to 6.02% on the business day before June 30 and December 31 each year in priority to distributions paid on the Class A LP Units, Class B LP Units and Class D LP Units.

The Fund financed the acquisition of the Class A LP Units and Class C LP Units through the issuance of 6,835,000 Units at $16.10 per Unit to raise gross proceeds of approximately $110 million and the issuance of $105 million convertible extendible unsecured subordinated debentures (the "Convertible Debentures"), bearing interest at a rate of 6% per annum, payable semi-annually and convertible, at the option of the holder into units of the Fund at $18.75 per unit. Upon conversion of the Convertible Debentures to Fund units, distributions on Class C LP Units will automatically adjust such that the holder of Class C LP Units will receive distributions in the same manner as distributions are made on the corresponding number of Class A LP Units. The Partnership and the Fund have entered into a reimbursement agreement under which fees associated with the issuance of the Fund Units and Convertible Debentures in the amounts of $5.5 million and $4.2 million were reimbursed by the Partnership. The Partnership recorded the fees in partners' equity and deferred charges, respectively, and will amortize the deferred charges over 3.5 years. As a result of the Fund's investment in Class A LP Units, the Fund's investment in the Partnership increased by 6.4% from 43.8% as at June 30, 2005 to 50.2% as at July 22, 2005. The Fund will continue to account for the Partnership under the equity method as Onex Corporation ("Onex") continues to hold both a substantial equity interest in the Partnership and indirectly the majority controlling interest in the General Partner that controls the Partnership

The Class C LP Units are redeemable by the Trust under certain conditions and as such they have characteristics of both debt and equity. As a result, under the provisions of CICA Handbook Section 3860, "Financial Instruments Disclosure and Presentation", an amount of $96.5 million has been classified as a liability and the remainder of $8.5 million has been recorded in equity. Distributions and accretion on the Class C LP Units are included interest expense.

In connection with the Acquisition, the Partnership entered into an amended and restated credit agreement (the "Amended Credit Agreement") with a syndicate of lenders pursuant to which it has available a (i) 364 day $50 million extendible senior secured revolving credit facility, (ii) a four year $315 million senior secured non-revolving term credit facility, and (iii) a four year $60 million senior secured revolving credit facility. The Amended Credit Facilities to be drawn as prime rate loans or bankers acceptances and which bear interest at a floating rate based on the Canadian dollar prime rate or on the banker's acceptance rates plus an applicable margin will amend and restate the Partnership's previous credit facilities under which $141 million was outstanding as at July 22, 2005. The amendment of the previous credit facilities ("Former Credit Facilities") is considered an extinguishment of debt under Emerging Issues Committee ("EIC") Abstract 88, "Debtors Accounting for a Modification or Exchange of Debt Instruments", and as a result deferred financing charges of $1.2 million was expensed to the net earnings of the Partnership upon the amendment of the existing credit facilities. In addition, upon extinguishment of the previous credit facilities, the Partnership recognized the estimated mark-to-market adjustment on the previous interest rate swap agreement. As at July 22, 2005 the unrecognized loss on the hedge was $2.2 million. Effective July 22, 2005 the Partnership entered into a new interest rate swap. In accordance with the swap agreement, the Partnership pays an interest rate of 3.8% and receives a floating rate. The 3.8% interest rate includes the mark to market buy out of the interest rate swap on the existing credit facilities. The swap is for a term of four years and the principal outstanding is $200 million.

On June 29, 2005, the Partnership entered into a letter of intent to sell real estate interests in four theatre locations (two of which are Famous Players theatres) for an estimated $67 million to RioCan Real Estate Investment Trust ("Riocan"), a related party, ("the "Riocan Transaction"). The Riocan Transaction was subject to RioCan's due diligence and the Partnership's right to obtain property appraisals. As part of the agreement, the Partnership leased back the four theatres. The transaction closed on August 3, 2005 and proceeds of the sale were used to repay amounts borrowed to finance a portion of the purchase price for the Acquisition.

The Partnership issued 500,000 Class D Limited Partnership Units ("Class D LP Units"), a new class of Partnership units, at an estimated value of $8.1 million to certain of its executives upon closing the Acquisition. This amount was recorded as compensation expense during the three months ended September 30, 2005. These units are not exchangeable for units of the Fund and will be entitled to receive distributions on substantially the same basis as the Class B LP Units. At the next meeting of unitholders of the Fund, unitholders will be asked to approve a resolution which would make the Class D LP Units exchangeable for units of the Fund.

In addition the Partnership agreed to pay Onex, a related party, a transaction fee of $4 million in connection with advisory services rendered by Onex in connection with the Acquisition, issuance of Fund units and Convertible Debentures, and entering into the Amended Credit Facilities. The fee was satisfied by the issuance of 248,447 Class D LP Units upon completion of the Acquisition.

Using the proceeds from the above transactions, the Partnership acquired 100% of the limited partnership units of Famous Players Limited Partnership and the shares of Famous Players Co. for total cash consideration of $468.8 million and the assumption of capital leases. The acquisition was accounted for by the purchase method. Based on management's best estimates and a preliminary valuation, the purchase price has been allocated to the assets and liabilities of Famous Players as follows:

Assets and liabilities acquired:	
Property, plant and equipment	$329.9
Advertising contracts	23.3
Trademarks and trade names	33.2
Goodwill	184.2
Fair value of leases – assets	14.4
Fair value of leases - liabilities	(24.7)
Net pension liability	(6.6)
Net working capital deficiency	(22.2)
Other liabilities	(18.7)
Capital leases	(40.2)
Net assets	$472.6
Less: Cash from the Acquisition	(20.1)
	$452.5

Consideration given	
Cash paid for acquisition of Famous Players, net of cash from the Acquisition	$448.7
Transactions costs associated with the acquisition	3.8
	$452.5

The above allocation of purchase price is preliminary and the actual calculation and allocation of the purchase price will be based on the estimated fair value of the assets acquired and liabilities assumed at the effective date of the acquisition. Accordingly, the purchase price will be adjusted subsequent to completion of the Acquisition and the final purchase price allocation process; variations may be material.

In contemplation of completing the Acquisition, on May 27, 2005 the Partnership entered into a consent agreement (the "Consent Agreement") with the Commissioner of Competition in respect of its proposal to acquire Famous Players. Under the terms of the Consent Agreement, upon completion of the Acquisition, the Partnership agreed to divest 34 specified theatres, held by both the Partnership and Famous Players within a specified period of time on the terms and conditions set out in the Consent Agreement. Until May 27, 2010, the Partnership must provide the Commissioner with prior written notice of any acquisition by it of any non-Partnership theatre or assumption of lease where the remaining term exceeds two years. The Partnership also may not, during this time, re-acquire any of the divested theatres without prior approval of the Commissioner.

Under the terms of the Amended Credit Agreement the Partnership is required to make repayments of the secured non-revolving term credit facility for 100% of all net cash proceeds of any sale required under the Consent Agreement.

In addition, the Partnership and its joint venture partner intend to sell the remainder of the Alliance Atlantis brand theatres.

During the three months ended September 30, 2005 the Partnership completed the divestiture of 27 of the specified theatres as required under the Consent Agreement for $83 million which, net of costs was used to repay a portion of the secured non-revolving term credit facility. In addition, the Partnership and its joint venture partner completed the sale of one of the Alliance Atlantis brand theatres. The Partnership's share of the proceeds was $2.3 million.

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 costs 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 three and nine months ended September 30, 2005 and September 30, 2004 (expressed in thousands of dollars except per Unit and per patron data).

	Three months ended September 30		Nine months ended September 30	
	2005	2004	2005	2004
Total Revenue	$151,879	$85,060	$297,113	$238,939
Cost of Operations	140,883	65,458	263,794	188,124
Income before undernoted	10,996	19,602	33,319	50,815
Amortization	14,136	5,858	26,713	16,303
Loss (Gain) on disposal of theatre assets	195	(72)	176	(114)
Loss on extinguishment of debt	4,156	-	4,156	-
Loss on impairment of assets	4,296	-	4,296	-
Interest on long-term debt	6,160	2,068	10,710	5,973
Interest on loan from Cineplex Galaxy Trust	3,500	3,500	10,500	10,500
Interest income	(109)	(200)	(287)	(355)
Income taxes	(712)	74	(538)	171
Income from discontinued operations	26,912	2,068	28,736	5,083
Non-controlling interest	614	-	614	-
Net Income	$5,672	$10,442	$5,715	$23,420
Net income per unit, basic and fully diluted	$0.106	$0.220	$0.115	$0.492
Distributable cash per Unit (fully diluted)	$0.2063	$0.3835	$0.5471	$0.9595
Cash distributions declared per Unit	$0.2874	$0.2874	$0.8622	$0.8622
Attendance (net of discontinued operations)	12,471	7,609	25,130	21,367
Average box office revenue per patron	$7.76	$7.43	$7.59	$7.47
Average concession revenue per patron	$3.40	$2.99	$3.29	$3.02
Film cost as a percentage of box office	50.4%	51.7%	51.5%	51.7%

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

	Three months ended September 30, 2005	Three months ended September 30, 2004	Nine months ended September 30, 2005	Nine months ended September 30, 2004
Cash provided from operating activities (i)	$964	$13,001	$4,979	$16,727
Less: Changes in operating assets and liabilities (ii)	7,671	2,801	16,532	21,536
Tenant inducements (iii)	(269)	(428)	(2,165)	(978)
Capital lease payments	(210)	-	(210)	-
Dividends paid to minority shareholders net of earnings	(758)	-	(758)	-
Total capital expenditures	(9,497)	(8,759)	(17,863)	(14,217)
Add: Interest on loan from Cineplex Galaxy Trust (iv)	3,500	3,500	10,500	10,500
New theatre and project capital expenditures (v)	7,351	7,749	12,825	11,695
POS/Rebranding capital expenditures (vi)	1,556	378	2,514	378
Non cash components in operating assets and liabilities (vii)	283	-	283	-
Expenses funded through integration and restructuring reserve (viii)	784	-	784	-
Distributable	$11,375	$18,242	$27,421	$45,641
Number of Units outstanding (ix)	55,150,421	47,566,974	50,122,568	47,566,974
Distributable cash per Unit	$0.2063	$0.3835	$0.5471	$0.9595

(i) Comparative mounts for tenant inducements have been reclassified from a financing activity to an operating activity in the consolidated statements of cash flows to conform to the current year's financial statement presentation.

(ii) Changes in operating assets and liabilities are not considered a source or use of distributable cash.

(iii) Tenant inducements received are for the purpose of funding new theatre capital expenditures and are not considered a source of distributable cash flow.

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

(v) The total capital expenditures noted above includes new theatre and maintenance capital expenditures of which the new theatre capital expenditures and Board approved projects are funded out of the Partnership's Development Facility (discussed below under "Liquidity and Capital Resources – Credit Facilities – Revolving Facilities) and therefore are added back to calculate distributable cash.

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

(vii) Reflects non-cash expenses including accretion on Class C LP Units, amortization of deferred gain on Riocan sale-leaseback transaction and amortization of swap on extinguished debt (see discussion under "The Acquisition and Related Transactions").

(viii) Amounts financed by the reserve set up upon completion of the Acquisition not considered a use of distributable cash flow. See discussion under "*Future Obligations*" below.

(ix) Units outstanding for three and nine months ended September 30, 2005 reflect the issuance on July 22, 2005 of 6,835,000 Class A LP Units to fund the Acquisition.

Three and Nine months ended September 30, 2005 Compared to the Three and Nine months ended September 30, 2004 for the Partnership

Total revenues. Total revenues for the three months ended September 30, 2005 increased $66.8 million to $151.9 million. Of this increase, $73.5 million related to the Acquisition which was offset by a reduction of $6.7 million related to the Cineplex Galaxy circuit. Total revenues for the nine months ended September 30, 2005 increased $58.2 million to $297.1 million. Of this increase, $73.5 related to the acquisition of Famous Players and a reduction of $15.3 million related to the Cineplex Galaxy circuit. A discussion of the factors affecting the changes in box office, concession and other revenues for these periods in comparison to the same periods in 2004 is provided below.

Box office revenues. Box office revenues for the three months ended September 30, 2005 increased $40.2 million to $96.7 million. Of this increase, $46.0 million related to the Acquisition which was offset by a reduction of $5.8 million or 10.3% in the Cineplex Galaxy circuit. Canadian industry box office declined 11.1% for the third quarter of 2005 primarily due to the lack of successful film product during the quarter. The Cineplex Galaxy decrease in box office revenues was due to decreased same store attendance levels ($6.9 million) offset by the operations of new theatres ($1.1 million). The average box office revenue per patron of the Partnership increased from $7.43 to $7.76. The average box office revenue per patron of Famous Players was $8.14 and for Cineplex Galaxy was $7.43. For the Cineplex Galaxy locations, the average box office revenue per patron for the three months ended September 30, 2005 remained at $7.43 unchanged from the three months ended September 30, 2004.

Box office revenues for the nine months ended September 30, 2005 increased $31.0 million to $190.6 million. Of this increase, $46.0 million related to the Acquisition which was offset by a reduction of $15.0 million or 9.4% in the Cineplex Galaxy circuit. Canadian industry box office declined 11.5% for the first nine months of 2005 primarily due to the lack of successful film product during the period. The Cineplex Galaxy decrease in box office revenues was due to decreased same store attendance levels ($17.2 million) and a reduction in average box office revenues per patron ($1.1 million) offset by the operation of new theatres ($3.3 million). The average box office revenue per patron of the Partnership increased from $7.47 to $7.59. The average box office revenue per patron of Famous Players was $8.14 and for Cineplex Galaxy was $7.42. For the Cineplex Galaxy locations, the average box office revenue per patron decreased $0.05 or 0.6% from $7.47 for the nine months ended September 30, 2004 to $7.42 for the nine months ended September 30, 2005. The decrease in average box office revenue per patron was a result of shift in attendance mix to lower priced admission categories as a result an increase in discounted corporate ticket sales and selected price reductions implemented since the third quarter in 2004.

Concession revenues. Concession revenues for the three months ended September 30, 2005 increased $19.7 million to $42.4 million. Of this increase, $20.8 million related to the Acquisition which was offset by a reduction of $1.1 million or 4.7% in the Cineplex Galaxy circuit. The Cineplex Galaxy decrease in concession revenues was due to lower same store attendance levels ($2.7 million) which was offset by additional revenues from the operation of new theatres ($0.5 million) and an improvement in concession revenues per patron ($1.1 million). The average concession revenue per patron of the Partnership increased from $2.99 to $3.40. The average concession revenue per patron of Famous Players was $3.68 and for Cineplex Galaxy was $3.18. The Cineplex Galaxy average concession revenue per patron increased $0.19 or 6.3% from $2.99 for the three months ended September 30, 2004 to $3.18 for the three months ended September 30, 2005. The increase is due to a combination of factors including expanded product offerings, the introduction of new combination products with expanded options at a higher price point and film product that drew audiences more likely to have an increased likelihood of purchase incidence.

Concession revenues for the nine months ended September 30, 2005 increased $18.2 million to $82.7 million. Of this increase, $20.8 million related to the Acquisition which was offset by a reduction of $2.6 million or 4.0% in the Cineplex Galaxy circuit. The Cineplex Galaxy decrease in concession revenues was due to lower same store attendance levels ($7.0 million) which was offset by additional revenues from operation of new theatres ($1.8 million) and an improvement in average concession revenues per patron ($2.6 million). The average concession revenue per patron of the Partnership increased from $3.02 to

$3.29. The average concession revenue per patron of Famous Players was $3.68 and for Cineplex Galaxy was $3.18. The Cineplex Galaxy average concession revenue per patron increased $0.16 or 5.3% from $3.02 for the nine months ended September 30, 2004 to $3.18 for the nine months ended September 30, 2005.

Other revenues. Other revenues for the three months ended September 30, 2005 increased $6.9 million to $12.7 million. Of this increase, $6.7 million related to the Acquisition and $0.2 million related to the Cineplex Galaxy circuit. For the Cineplex Galaxy circuit, other revenues increased $0.2 million or 3.4%. These other sources of revenue were impacted by the lack of successful product and reduced business volume during the third quarter. Other revenues for 2005 and 2004 reflect the Partnership's retroactive adoption at December 31, 2004 of the provisions of EIC-144 (discussed in "Accounting Policies and Recent Developments – Recent Accounting Developments").

Other revenues for the nine months ended September 30, 2005 increased $9.0 million to $23.7 million. Of this increase, $6.7 million related to the Acquisition and $2.3 million related to the Cineplex Galaxy circuit. For the Cineplex Galaxy circuit, other revenues increased $2.3 million or 15.4% mainly as a result of higher advertising revenues. It should be noted that the Partnership launched its digital advertising network in its 21 Toronto extended market area theatres on April 1, 2005 and accordingly, there is no revenue from this activity included in the first quarter results. Other revenues for 2005 and 2004 reflect the Partnership's retroactive adoption at December 31, 2004 of the provisions of EIC-144 (discussed in "Accounting Policies and Recent Developments – Recent Accounting Developments").

Film cost. Film cost for the three months ended September 30, 2005 increased $19.6 million to $48.8 million. Of this increase, $23.4 million related to the Acquisition offset by a decrease of $3.8 million related to the Cineplex Galaxy circuit. As a percentage of box office revenue, film cost decreased to 50.4% for the three months ended September 30, 2005 from 51.7% for the three months ended September 30, 2004. This reduction is due primarily to higher film rental terms paid in the three months ended September 30, 2004 on specific strong releases.

Film cost for the nine months ended September 30, 2005 increased $15.5 million to $98.1 million. Of this increase $23.4 million related to the Acquisition offset by a decrease of $7.9 million related to the Cineplex Galaxy circuit. As a percentage of box office revenue, film cost decreased to 51.4% for the nine months ended September 30, 2005 from 51.7% for the nine months ended September 30, 2004. This decrease is due to a combination of lower film rental terms paid in the nine months ended September 30, 2004 on specific strong releases and higher film rental terms paid on specific strong releases during the nine months ended September 30, 2005.

Cost of concessions. Cost of concessions for the three months ended September 30, 2005 increased $3.7 million to $8.4 million. Of this increase, $3.8 million related to the Acquisition offset by a $0.1 million reduction related to the Cineplex Galaxy Circuit. The Cineplex Galaxy decrease in cost of concessions was due primarily to decreased same store attendance ($0.6 million) which was partially offset by the costs associated with new theatres that were opened ($0.2 million) and increased purchase incidence ($0.3 million). As a percentage of concession revenues, cost of concessions decreased from 20.6% in the three months ended September 30, 2004, to 19.8% in the three months ended September 30, 2005. Concession costs for 2005 and 2004 reflect the Partnership's retroactive adoption at December 31, 2004 of the provisions of EIC-144 (discussed in "Accounting Policies and Recent Developments – Recent Accounting Developments").

Cost of concessions for the nine months ended September 30, 2005 increased $3.5 million to $16.8 million. Of this increase, $3.8 million related to the Acquisition offset by a $0.3 million reduction related to the Cineplex Galaxy circuit. The Cineplex Galaxy decrease in cost of concessions was due primarily to decreased same store attendance ($1.4 million) which was partially offset by the costs associated with new theatres that were opened ($0.5 million) and increased incidence ($0.6 million). As a percentage of concession revenues, cost of concessions decreased from 20.5% in the nine months ended September 30, 2004, to 20.2% in the nine months ended September 30, 2005. Concession costs for 2005 and 2004 reflect the Partnership's retroactive adoption at December 31, 2004 of the provisions of EIC-144 (discussed in "Accounting Policies and Recent Developments – Recent Accounting Developments").

Occupancy. Occupancy expense for the three months ended September 30, 2005 increased $20.6 million to $32.1 million. Of this increase, $20.0 million related to the Acquisition and $0.6 million related to the Cineplex Galaxy circuit. For the Cineplex Galaxy circuit, the overall increase in occupancy expense was primarily due to the incremental costs associated with new theatres that were opened ($0.5 million) and other items ($0.4 million) offset by a decrease in percentage rents that are based on revenue ($0.3 million).

Occupancy expense for the nine months ended September 30, 2005 increased $21.1 million to $56.0 million. Of this increase, $20.0 million related to the Acquisition and $1.1 million related to the Cineplex Galaxy circuit. For the Cineplex Galaxy circuit, the overall increase in occupancy expense was due to the incremental costs associated with new theatres that were opened ($1.3 million) and an increase in insurance costs ($0.2 million) and other items ($0.3 million) offset by decrease in percentage rents that are based on revenue ($0.7 million).

Other theatre operating expenses. Other theatre operating expenses for the three months ended September 30, 2005 increased $18.7 million to $35.1 million. Of this increase, $18.0 million related to the Acquisition and $0.7 million related to the Cineplex Galaxy circuit. For the Cineplex Galaxy circuit, the overall increase in other theatre operating expenses was due to the incremental impact of costs associated with new theatres that were opened ($0.4 million) and the impact of additional business activities and inflationary increases ($0.3 million).

Other theatre operating expenses for the nine months ended September 30, 2005 increased $20.4 million to $66.8 million. Of this increase, $18.0 million related to the Acquisition and $2.4 million related to the Cineplex Galaxy circuit. For the Cineplex Galaxy circuit, the overall increase in other theatre operating expenses was due to the incremental impact of costs associated with new theatres that were opened ($1.3 million) and the impact of additional business activities and inflationary increases ($1.1 million).

General and administrative costs. General and administrative costs for the three months ended September 30, 2005 increased $13.0 million to $16.5 million. Included in general and administrative expenses for the quarter is $8.1 million as compensation expense related to the issuance of 500,000 LP units to management on the acquisition and $0.7 million in severance costs to former Cineplex Galaxy employees. As required under EIC-134, "Accounting for Severance and Termination Benefits", severance costs related to the acquirer are charged to the income statement and as required under CICA Handbook section 1581, "Business Combinations", and identified under EIC-114, "Liability Recognition for Costs Incurred on Purchase Business Combinations" severance costs related to employees of the acquired company are included as part of the net assts acquired. Excluding these items, general and administrative costs would be $7.7 million for the quarter. In the prospectus dated July 11, 2005 the Partnership stated that it expected synergies of approximately $20 million as a result of the acquisition. Of this $20 million in total synergies approximately $15 million related to general and administrative costs. The Partnership had initially thought that it would take up to 12 months to realize the synergies in this area however management now believes that these synergies will be realized in six to nine months. During the third quarter the Partnership provided notice to terminate the employment services of approximately 35% of the combined general and administrative workforce.

General and administrative costs for the nine months ended September 30, 2005 increased $15.5 million to $25.9 million. General and administrative costs for the first nine months of 2005 included the $8.1 million in compensation expense related to the issuance of 500,000 Class D LP units to management, $0.7 million in severance costs to former Cineplex Galaxy employees, $1.5 million in professional fees related to the Acquisition, $0.2 million in recruitment and resource costs related to the establishment of an information technology department in the Canadian head office which will allow the Partnership to terminate the services agreement for management information systems support and eliminate the Loews Cineplex Theatres Inc. ("LCT") management fee, $0.5 million in consulting fees related to preparation for

Bill 198 compliance and a decrease of $0.6 million under the Partnership's Long Term Incentive Plan versus nine months ended September 30, 2004.

Management fee. Effective November 26, 2003, the Partnership entered into a services agreement with Cineplex Odeon Corporation ("COC") (subsequently assumed by LCT) under which management information systems (MIS support) support is provided to the Partnership at a cost of US$500,000 per annum. The Partnership terminated the services agreement during the second quarter of 2005 and accordingly there are no costs for this item in the third quarter of 2005. The Partnership had recruited additional staff and acquired additional hardware and software licenses to repatriate this MIS function. Included in the first six months of 2005 are both the cost of these additional resources and the management fee paid up to the date of the contract termination.

Income before undernoted. The Partnership reported income before undernoted for the three months ended September 30, 2005 of $11.0 million as compared to income before undernoted of $19.6 million for the three months ended September 30, 2004. This change was due to the aggregate effect of the factors described above.

The Partnership reported income before undernoted for the nine months ended September 30, 2005 of $33.3 million as compared to income before undernoted of $50.8 million for the nine months ended September 30, 2004. This change was due to the aggregate effect of the factors described above.

Amortization costs. For the three months ended September 30, 2005 amortization costs increased $8.3 million to $14.1 million. Of this increase, $7.8 million related to the Acquisition and $0.5 million related to the Cineplex Galaxy circuit. The increase in the Cineplex Galaxy circuit was due primarily to the incremental impact of new theatres. For the nine months ended September 30, 2005 amortization costs increased $10.4 million to $26.7 million. Of this increase, $7.8 million related to the Acquisition and $2.6 million related to the Cineplex Galaxy circuit. The increase in the Cineplex Galaxy circuit 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 three months ended September 30, 2005 the partnership recorded a loss of $195 thousand as compared to a gain of $72 thousand for the three months ended September 30, 2004. For the nine months ended September 30, 2005 the partnership recorded a loss of $176 thousand as compared to a gain of $114 thousand for the nine months ended September 30, 2004.

Loss on extinguishment of debt. The loss on extinguishment of debt represents the write-off of the deferred financing fees under the prior credit facility and the recognition of the loss on the mark-to-market adjustment on the previous interest rate swap agreement.

Loss on impairment of assets. Property equipment and leaseholds are evaluated for impairment according to CICA handbook section 3063, "Impairment of Long-Lived Assets". Management has performed a reassessment of expected future cash flows at the theatre level and recorded an impairment charge of $4.3 million.

Interest on long-term debt. Interest on long-term debt for the three months ended September 30, 2005 increased to $6.2 million from $2.1 million for the three months ended September 30, 2004 as a result of the additional borrowings to finance the acquisition of Famous Players. Interest expense is comprised of the amortization of $0.5 million of deferred financing fees, interest on capital leases of $0.5 million, interest and accretion expense on the Class C LP Units of $1.7 million and $4.3 million of interest on long-term debt offset by interest expense of $0.8 million allocated to discontinued operations for the three months ended September 30, 2005. For the three months ended September 30, 2004 interest expense includes $0.3 million for the amortization of deferred financing fees and $1.8 million of interest on long-term debt.

Interest on long-term debt for the nine months ended September 30, 2005 increased to $10.7 million from $6.0 million for the nine months ended September 30, 2004 primarily as a result of the additional borrowings in the third quarter to finance the Acquisition. Interest expense is comprised of the amortization of $0.9 million of deferred financing fees, interest on capital leases of $0.5 million, interest and accretion expense on the Class C LP Units of $1.7 million and $8.4 million of interest on long-term debt offset by interest expense of $0.8 million allocated to discontinued operations for the nine months ended September 30, 2005. For the nine months ended September 30, 2004 interest expense includes $0.7 million for the amortization of deferred financing fees and $5.3 million of interest on long-term debt.

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 was $0.1 million for the three months ended September 30, 2005 and $0.2 million for the three months ended September 30, 2004. Interest income was $0.3 million for the nine months ended September 30, 2005 and $0.4 million for the nine months ended September 30, 2004.

Income taxes. During the three months ended September 30, 2005, the Partnership recorded a future income tax recovery of $1.6 million (2004 – nil) offset by current taxes of $0.9 million of which $0.6 million arose from the media sales subsidiary of Famous Players. For the nine months ended September 30, 2005, the Partnership recorded a future tax income tax recovery of $1.6 million (2004- nil) offset by current taxes of $1.0 million of which $0.6 million arose from the media sales subsidiary of Famous Players.

Income from discontinued operations represents the income from the 34 theatres required to be disposed of as outlined in the Consent Agreement and the Alliance Atlantis branded theatres in addition the gain on those theatres disposed of during the period. Income from discontinued operations for the three months ended September 30, 2005 was $26.9 million of which $26.6 million represented the gain on sale of 27 locations to Empire Theatres Limited and one Alliance Atlantis branded cinema and $0.3 million related to the income from operations of the 34 locations and Alliance Atlantis branded cinemas. This compares to income from discontinued operations for the three months ended September 30, 2004 of $2.1 million which relates solely to income from operations from the Cineplex Galaxy theatres to be disposed of under the Consent Agreement.

Income from discontinued operations for the nine months ended September 30, 2005 amounted to $28.7 million, of which $26.6 million related to gain on sale of 27 locations to Empire Theatre Limited and the Alliance Atlantis brand theatre and $2.1 million related to the income from operations of the 34 locations and Alliance Atlantis theatres. This compares to income from discontinued operations for the nine months ended September 30, 2004 of $5.1 million which relates solely to income from operations from the Cineplex Galaxy theatres to be disposed of under the Consent Agreement.

Net income. Net income for the three months ended September 30, 2005 decreased to $5.7 million from $10.4 million for the three months ended September 30, 2004, primarily due to the net effect of all of the other factors described above.

Net income for the nine months ended September 30, 2005 decreased to $5.7 million from $23.4 million for the nine months ended September 30, 2004, 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 issuers due, among other things, to differences in methods of calculation (expressed in thousands of dollars):

	Three months ended September 30,		Nine months ended September 30,	
	2005	2004	2005	2004
Net income	$5,672	$10,442	$5,715	$23,420
Amortization	14,136	5,858	26,713	16,303
Impairment on assets	4,296	-	4,296	-
Interest on long-term debt	6,160	2,068	10,710	5,973
Interest on loan from Cineplex Galaxy Trust	3,500	3,500	10,500	10,500
Interest income	(109)	(200)	(287)	(355)
Income tax expense	(712)	74	(538)	171
EBITDA	$32,943	$21,742	$57,109	$56,012
Non-controlling interest	614	-	614	-
Loss on extinguishment of debt	4,156	-	4,156	-
Income from discontinued operations	(26,912)	(2,068)	(28,736)	(5,083)
Loss (gain) on disposal of theatre assets	195	(72)	176	(114)
Adjusted EBITDA	$10,996	$19,602	$33,319	$50,815

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. In order to stabilize cash flow during the slower first and second quarters, the Partnership has available for its use up to $15 million of its Working Capital facility (see "Credit Facilities" discussed below) to fund distributions. Despite the weak results for 2005 the Partnership had not drawn on this facility in order to meet its distribution obligations. Management expects a stronger fourth quarter as a result of anticipated stronger fourth quarter film product.

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

	2005			2004				2003
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Total Revenue	$151,879	$75,198	$70,037	$76,846	$85,060	$83,436	$70,443	$81,654
Cost of Operations	140,883	63,689	59,223	60,693	65,458	65,724	56,942	64,743
Income from Operations	10,996	11,509	10,814	16,153	19,602	17,712	13,501	16,911
Amortization	14,136	6,364	6,213	6,227	5,858	5,310	5,135	6,113
Loss (Gain) on disposal of theatre assets	195	(19)	-	3	(72)	(36)	(6)	(176)
Loss on extinguishment of debt	4,156	0	-	-	-	-	-	-
Loss on Impairment of assets	4,296	0	-	-	-	-	-	-
Interest on long-term debt	6,160	2,344	2,206	2,307	2,068	1,904	2,001	1,177
Interest on loan from Cineplex Galaxy Trust	3,500	3,500	3,500	3,500	3,500	3,500	3,500	1,381
Interest Income	(109)	(60)	(118)	(118)	(200)	(61)	(94)	(17)
Foreign exchange Gain/Loss	-	0						83
Income Taxes	(712)	119	55	(1,320)	74	61	36	(1,109)
Income from Discontinued Operations	26,912	981	843	1,274	2,068	1,743	1,272	1,639
Non-Controlling Interest	(614)	-	-	-	-	-	-	(418)
Net Income	$5,672	$242	($199)	$6,828	$10,442	$8,777	$4,201	$11,516
Net income per unit, basic and fully diluted	$0.106	$0.005	($0.004)	$0.144	$0.220	$0.185	$0.088	n/a
Cash Flows from Operations (i)	964	3,794	221	27,091	13,001	9,721	(5,995)	47,793
Cash flows from investing activities	(288,680)	(20,706)	2,471	(10,661)	(10,760)	(5,417)	(3,449)	(27,985)
Cash flows used in financing activities (i)	303,627	2,292	(17,212)	(3,607)	(2,729)	(6,759)	(5,300)	(10,174)
Net change in cash	$15,911	($14,620)	($14,520)	$12,823	($488)	($2,455)	($14,744)	$9,634

(i) Comparative mounts for tenant inducements have been reclassified from a financing activity to an operating activity in the consolidated statements of cash flows to conform to the current year's financial statement presentation.

Distributable Cash

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

	Three months ended September 30,		Nine months ended September 30,	
	2005	2004	2005	2004
Cash used in operating activities (i)	$964	$13,001	$4,979	$16,727
Less: Changes in operating assets and liabilities (ii)	7,671	2,801	16,532	21,536
Tenant Inducements (iii)	(269)	(428)	(2,165)	(978)
Capital lease payments	(210)	-	(210)	-
Dividends paid to minority shareholders net of earnings	(758)	-	(758)	-
Total Capital expenditures	(9,497)	(8,759)	(17,863)	(14,217)
Add: Interest on loan from Cineplex Galaxy Trust (iv)	3,500	3,500	10,500	10,500
New theatre and Project capital expenditures (v)	7,351	7,749	12,825	11,695
POS/Rebranding capital expenditures (vi)	1,556	378	2,514	378
Non Cash components in operating assets and liabilities (vii)	283	-	283	-
Expenses funded through integration and restructuring reserve (viii)	784	-	784	-
Distributable	$11,375	$18,242	$27,421	$45,641
Number of Units outstanding (ix)	55,150,421	47,566,974	50,122,568	47,566,974
Distributable cash per Unit	$0.2063	$0.3835	$0.5471	$0.9595

(i) Comparative mounts for tenant inducements have been reclassified from a financing activity to an operating activity in the consolidated statements of cash flows to conform to the current year's financial statement presentation.
(ii) Changes in operating assets and liabilities are not considered a source or use of distributable cash.
(iii) Tenant inducements received are for the purpose of funding new theatre capital expenditures and are not considered a source of distributable cash flow.
(iv) Subject to "Catch-up Payment" provision and is considered part of distributable cash.
(v) The total capital expenditures noted above includes new theatre and maintenance capital expenditures of which the new theatre capital expenditures and Board approved projects are funded out of the Partnership's Development Facility (discussed below under "Liquidity and Capital Resources – Credit Facilities – Revolving Facilities) and therefore are added back to calculate distributable cash.
(vi) Point-of-Sale ("POS") and rebranding capital expenditures are funded out of a $5.5 million reserve fund established on November 26, 2003.
(vii) Reflects non-cash expenses including accretion on Class C LP Units, amortization of deferred gain on Riocan sale-leaseback transaction and amortization of swap on extinguished debt (see discussion under "The Acquisition and Related Transactions").
(viii) Amounts financed by the reserve set up upon completion of the Acquisition not considered a use of distributable cash flow. See discussion under "*Future Obligations*" below.
(ix) Units outstanding for three and nine months ended September 30, 2005 reflect the issuance on July 22, 2005 of 6,835,000 Class A LP Units and Class D LP Units to fund the Acquisition.

Balance Sheet

Assets

Assets increased $443.5 million to $768.9 million as at September 30, 2005. This increase is due primarily to the Acquisition.

Accounts Receivable. Accounts receivable increased $4.3 million to $15.2 million as at September 30, 2005 from $10.9 million as at December 31, 2004. This increase was due to the Acquisition ($8.1 million) offset by collections of accounts receivable and reduced business volume.

Fixed Assets. The increase in fixed assets from $225.9 million at December 31, 2004 to $451.0 million at September 30, 2005 is due to the Acquisition ($329.9 million) offset by the sale of four theatres to Riocan ($58.6 million), the disposition of 27 theatres under the Consent Agreement ($38.2 million), and amortization expenses. Fixed assets related to the remaining seven theatres to be divested have been reclassified to assets held for sale – long term ($2.0 million).

Goodwill. The increase in Goodwill by $169.2 million from $22.9 million at December 31, 2004 to $192.1 million at September 30, 2005 is due to the Acquisition ($184.2 million) offset by the allocation of goodwill to the theatres sold under the Consent Agreement ($15 million).

Deferred charges: The increase in deferred charges by $7.7 million from $1.7 million at December 31, 2004 to $9.4 million at September 30, 2005 is due to additional deferred charges resulting from the Amended Credit Facilities and the reimbursement by the Partnership of the fees incurred by the Fund in the issuance of the Convertible debentures ($9.7 million) offset by the write-off of deferred financing charges on the extinguishment of the former credit facilities.

Other intangibles. The increase in other intangibles by $60.4 million from $2.2 million at December 31, 2004 to $62.7 million at September 30, 2005 is due to the Acquisition ($70.9 million) offset by the disposition of certain intangible assets as a result of the disposition of the theatres sold under the Consent Agreement ($9.0 million).

Liabilities

Liabilities increased $347.7 million from $368.7 million as at December 31, 2004 to $716.4 million as at September 30, 2005 primarily due to the Acquisition.

Accounts Payable and Accrued Expense. Accounts payable and accrued expenses increased from $27.6 million as at December 31, 2004 to $63.3 million as at September 30, 2005. The increase is due to the Acquisition ($47 million) offset by lower business volume.

Deferred Revenue. Deferred revenues increased by $12.0 million to $25.6 million as at September 30, 2005 from $13.6 million as at December 31, 2004. This was due to the Acquisition ($22.6 million) offset by primarily to the redemption of gift certificates that were sold during the holiday season in December 2004.

Capital Leases. Capital leases increased from a nil balance at December 31, 2004 to $1.4 million current portion of capital lease obligations and $38.6 million long term capital lease obligations as at September 30, 2005 as a result of the Acquisition.

Current and Long Term Debt: Current debt increased from $0.1 million at December 31, 2004 to $18.0 million at September 30, 2005 as a result of the Acquisition (see discussion under "Credit Facilities" below). Long term debt increased from $125.5 million at December 31, 2004 to $239.0 million at September 30, 2005 as a result of the acquisition of Famous Players (See discussion under "Credit Facilities" below).

Other liabilities: Other liabilities increased by $36.6 million from $83.1 million at December 31, 2004 to $119.6 million as at September 30, 2005 as a result of the Acquisition. Included are other liabilities arising from the market valuation of rental obligations ($27.2 million).

Accrued pension liability: Accrued pension liability increased by $6.7 million to $7.3 million as a result of the acquisition of Famous Players. Effective October 2005 the Famous Players defined benefit plan will be curtailed and members of the plan who have continued employment subsequent to the Acquisition will become members of the Partnership's defined contribution pension plan.

Class C Units – liability component. Class C Units – liability component. increased from a nil balance at December 31, 2004 to $96.9 million as at September 30, 2005 as a result of the Acquisition (see discussion under "The Acquisition and Related Transactions" above).

Outstanding Fund Units

The Fund had the following units issued for the years ended September 30 (expressed in thousands of dollars):

	Three months ended				Nine months ended			
	September 30, 2005		September 30, 2004		September 30, 2005		September 30, 2004	
	Number of Fund Units	Amount	Number of Fund Units	Amount	Number of Fund Units	Amount	Number of Fund Units	Amount
Fund Units beginning of period	20,857,843	$213,345	19,548,870	$195,489	20,023,689	$201,477	19,400,000	$194,000
Issuance of Fund Units	6,835,000	$110,044			6,835,000	$110,044		
Issuance of Fund Units under Exchange agreement	146,149	2,352	219,470	2,563	980,303	14,220	368,340	4,052
	27,838,992	325,741	19,768,340	198,052	27,838,992	325,741	19,768,340	198,052

Subject to certain restrictions, Class B LP Units of the Partnership may be exchanged for Fund Units. As at September 30, the following Class B LP Units had not been exchanged for Fund units:

	Number of Units	
	2005	**2004**
Class B Series 1	20,321,237	20,581,242
Class B Series 2-C	2,086,957	2,086,957
Class B Series 2-G	4,154,788	5,130,435
	26,562,982	27,798,634

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 normally 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 generated by operating activities was $1.0 million for the three months ended September 30, 2005 as compared to a source of $13.0 million for the three months ended September 30, 2004. The primary reason for the difference was due to a decrease in net income of $ 4.7 million from $10.4 million for the three months ended September 30, 2004 to $5.7 million for the three months ended September 30, 2005 an increased use of cash through changes in operating assets of $4.9 million, and an accounting gain on the disposition of fixed assets of $26.4 million offset by increased amortization of $8.0 million.

Cash generated by operating activities was $5.0 million for the nine months ended September 30, 2005 as compared to a source of $16.7 million for the nine months ended September 30, 2004. The primary reason for the difference was due to a decrease in net income from $23.4 million for the nine months ended September 30, 2004 to $5.7 million for the nine months ended September 30, 2005 and an accounting gain on the disposition of fixed assets of $26.4 million offset by changes in operating assets and liabilities, which was a use of $16.5 million in 2005 versus a use of $21.5 million in 2004.

Investing Activities

Cash used by investing activities for the three months ended September 30, 2005 of $288.7 million primarily related to capital expenditures on new theatre builds ($9.5 million), the Acquisition ($431.2 million), offset by the sale of four theatres to Riocan ($67 million) and the disposition of 27 theatres under the Consent agreement ($83.0 million) (see discussion under "The Acquisition and Related Transactions" above).

Cash used in investing activities for the three months ended September 30, 2004 was primarily related to capital expenditures on new theatre builds. In addition the Partnership transferred $2.0 million to a segregated account representing distributions on certain Class B Series 2 LP Units (discussed in "Liquidity and Capital Resources -Distributions" below) during this period.

Cash used by investing activities for the nine months ended September 30, 2005 of $306.9 million primarily related to capital expenditures on new theatre builds ($17.9 million) and the Acquisition ($448.7 million) offset by the sale of four theatres to Riocan ($67.0 million) and the disposition of 27 theatres under the Consent agreement ($83.0 million) (see discussion under "The Acquisition and Related Transactions" above) offset by the removal of the restrictions on distributions on the Support Theatre Units (discussed in "Liquidity and Capital Resources -Distributions" below).

Cash used in investing activities for the nine months ended September 30, 2004 was primarily related to capital expenditures on new theatre builds. In addition the Partnership transferred $5.5 million to a segregated account representing distributions on certain Class B Series 2 LP Units ("Support Units") (discussed in "Liquidity and Capital Resources -Distributions" below) during this period.

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 Facility discussed below under "Liquidity and Capital Resources – Credit Facilities – Revolving Facilities.

Financing Activities

Cash provided by financing activities for the three months ended September 30, 2005 of $303.6 million was due primarily to net borrowings of $116.0 million under the former and Amended Credit Facilities and the issuance of Partnership Units net of issuance costs ($207.2 million) offset by distribution payments of $11.6 million and the payment of financing fees of $7.8 million. For the three months ended September 30, 2004 cash used by financing activities ($2.7 million) was due primarily to distribution payments of $8.1 million offset by borrowings under existing credit facilities of $5.5 million.

Cash provided by financing activities for the nine months ended September 30, 2005 of $288.7 million was due primarily to net borrowings under the former and Amended Credit Facilities ($131.5 million) and the issuance of Partnership Units net of issuance costs ($207.2 million) offset by distribution payments of $39.6 million and the payment of financing fees of $9.8 million. Distribution payments included payment of distributions of $8.3 million on the Support Units (discussed in "Liquidity and Capital Resources - Distributions" below). For the nine months ended September 30, 2004 cash used by financing activities ($14.8 million) was due primarily to distribution payments of $25.5 million offset by borrowings under existing credit facilities of $11.0 million.

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, Class B LP Units and Class D LP Units on the last business day of each month. For the three months ended September 30, 2005, Partnership distributable cash flow per Unit was $0.2063. For the three months ended September 30, 2004, the Partnership distributable cash flow per Unit was $0.3835. The declared distributions per Unit and interest on the Galaxy Note (discussed in "Liquidity and Capital Resources – Credit Facilities" below) per Unit for the three months ended September 30 for each of 2005 and 2004 totaled $0.2874 per Unit. For the period from January 1, 2005 to September 30, 2005, the Partnership's distributable cash flow per unit was $0.5471 and $0.9595 for the same period in 2004. The declared distribution per unit and interest on the GEI note per unit for these periods totaled $0.8622. 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. While the Partnership's year to date payout ratio is greater than 100%, a number of factors that are either one time events or that management does not expect to continue have contributed to this result. With an expected strong slate of film releases in the fourth quarter of 2005, management anticipates distributable income to increase.

As part of the Partnership's support arrangements with certain limited partners, the amount of the distributions paid in respect of the Support Units in 2004 was dependent on the annual cash flows from 7 prescribed new theatres (the "Support Theatres"). Amounts totaling $2.1 million and $4.2 million are included in the distribution amounts above for the three and nine months ended September 30, 2004. During the year ended December 31, 2004 the performance targets were met for the 7 Support Theatres and, as a result, the Partnership paid the full amount of the withheld distributions of $8.3 million to the holders of the Support Units during the three months ended March 31, 2005. The support arrangements terminated effective December 31, 2004, and the holders of the Support Units were thereafter fully entitled to receive cash distributions in a manner consistent with the Class B Series 1 LP Units.

For the three months ended September 30, 2005 and September 30, 2004, the Fund declared distributions totaling $0.2874 per Fund Unit. For the nine months ended September 30, 2005 and September 30, 2004, the Fund declared distributions totaling $0.8622 per Fund Unit. The Fund is entirely dependent on distributions from the Partnership and interest payments from GEI to make its own distributions.

The after-tax return to Unitholders subject to Canadian federal income tax from an investment in Units will depend, in part, on the composition for tax purposes of the distributions paid by the Fund, portions of which may be fully or partially taxable or may constitute non-taxable returns of capital, which are not included in a Unitholder's income but which reduce the adjusted cost base of the Units to the Unitholder. The composition for tax purposes of these distributions may change over time, thus affecting the after-tax return to such Unitholders. For the year ended December 31, 2004, 21.8% of the Fund's distributions ($0.25108 per unit) represented a nontaxable return of capital with the balance representing taxable income to the Unitholder.

Credit Facilities

In connection with the Acquisition, the Partnership entered into an amended and restated credit agreement with a syndicate of lenders consisting of the following facilities (collectively, the "Amended Credit Facilities"):

(i) a 364-day $50,000 extendible senior secured revolving credit facility ("Working Capital Facility");
(ii) a four-year $315,000 senior secured non-revolving term credit facility ("Term Facility"); and
(iii) a four-year $60,000 senior secured revolving credit facility ("Development Facility")

The Amended Credit Facilities bear interest at a floating rate based on the Canadian dollar prime rate, or banker's acceptance rate, plus an applicable margin, and amended and restated the Partnership's existing credit facilities under which $141 million was outstanding as at July 22, 2005. The amendment of the previous credit facilities is considered an extinguishment of debt under Emerging Issues Committee ("EIC") Abstract 88, "Debtor's Accounting for a Modification or Exchange of Debt Instruments," and, as a result, deferred financing charges of $1.2 million were charged to the net earnings of the Partnership upon repayment of the previous credit facilities. In addition, upon extinguishment of the previous credit facilities, the Partnership recognized the mark-to-market loss of $2.2 million at July 22, 2005 on the existing interest rate swap agreement.

The Working Capital Facility is a revolving facility available for general corporate purposes, including up to $15 million to stabilize monthly cash distributions to be paid by the Partnership throughout the year. The Working Capital Facility may be extended for a period not to exceed the maturity date of the Term Facility. The Development Facility is to be used for the development or acquisition of theatre projects approved by the Trustees of the Fund. The Development Facility has a term of four years and is payable in full at maturity.

The Term Facility has a term of four years and is payable in full at maturity, with no scheduled repayment of principal required prior to maturity. The Term Facility was used to finance the purchase price of the Acquisition.

During the three and nine months ended September 30, 2005 the Partnership borrowed $263 million and $282.5 million under the former and Amended Credit Facilities and repaid $147 million and $151 million respectively. As at September 30, 2005 the Partnership has $18 million outstanding under the Working Capital Facility which is classified as current, $234 million outstanding under the Term Facility and $4 million outstanding under the Development Facility both of which are included in long-term debt.

The Partnership obtained a commitment for a senior secured bridge facility in the amount of $300 million (the "Bridge Facility"). The Bridge Facility had a term of one year and was payable in full at maturity, with no scheduled repayments of principal prior to maturity. The Bridge Facility was to be used to finance the purchase price of the Acquisition and to repay a portion of the existing credit facilities had the Offerings not been completed. With the completion of the Offering the Bridge Facility was no longer required and fees of $0.8 million associated with the Bridge Facility were charged to net earnings of the Partnership.

The Partnership's credit facilities contain numerous restrictive covenants that limit the discretion of the Partnership's management with respect to certain business matters. These covenants place restrictions on, among other things, the ability of the Partnership to create liens or other encumbrances, to pay distributions or make certain other payments, investments, loans and guarantees and to sell or otherwise dispose of assets and merge or consolidate with another entity.

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

Interest Rate Swap. Effective July 22, 2005, the Partnership entered into three interest rate swap agreements. In accordance with the swap agreements, the Partnership pays interest at a fixed rate of 3.8% per annum, plus an applicable margin, and receives a floating rate. The 3.8% fixed interest rate reflects the mark-to-market buyout of the previous interest rate swap on the existing credit facilities. The swaps have a term of four years in the aggregate principal amount outstanding of $200 million. The purpose of the interest rate swaps is to act as a cash flow hedge to manage the floating rate payable under the four-year senior secured non-revolving term credit facility. The estimated fair market value of the swap is an unrealized loss of $1.4 million (loss of $1.9 million as at September 30, 2004) that is not recognized on the balance sheet or statement of income in accordance with GAAP as it is considered an effective hedge.

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 Note"). The Galaxy Note bears interest at a rate of 14% per annum and has no scheduled repayments prior to maturity. The Galaxy Note matures on November 26, 2028 at which time it is payable in full. The Galaxy Notes is subordinated to the bank credit facilities discussed above.

Future Obligations

As of September 30, 2005, the Partnership has aggregate capital commitments of $39.1 million related to the completion of construction of nine theatre properties to comprise of 88 screens. The Partnership expects to complete construction and to open these theatres throughout 2005 and 2006.

As of September 30, 2005, approximately $1.3 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 September 30, 2005 the Partnership had unpaid commitments of approximately $0.5 million related to point-of-sale upgrades and rebranding.

A portion of the proceeds arising from the issuance of units by the Fund, the net borrowings under the New Credit Facility and the proceeds of the Riocan Transaction are available for general corporate purposes, including a $25 million reserve for integration and restructuring costs associated with the Acquisition. Of this reserve, severance payments in the amount of $3.0 million were paid during the three months ended September 30, 2005.

During 2004, 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 were installed in 215 theatre auditoriums and the digital advertising network was launched on April 1, 2005. During the three months ended September 30, 2005, the Partnership fully funded its obligations of $3.2 million on the first phase of this project. This project was funded through the Development Facility discussed above.

If the program is expanded outside of the Toronto extended market area, with the inclusion of the Famous Players theatres, the total expected cost is in the range of $11 million to $13 million over the next two years. Of this amount, $7 million is included in the $25 million reserve that was established for integration and restructuring costs associated with the Acquisition.

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 has the following commitments under non-cancelable operating leases for theatres and equipment as at September 30, 2005 (table in millions of Canadian dollars):

2005	$	27.1
2006		104.6
2007		103.4
2008		101.6
2009		91.0
Thereafter		1,128.9
Total minimum lease payments		1,556.6

The Partnership has the following commitments under non-cancelable capital leases for theatres and equipment as at September 30, 2005 (table in millions of Canadian dollars):

2005	$	1.0
2006		4.2
2007		4.2
2008		4.2
2009		4.2
Thereafter		48.2
Total minimum lease payments		66.0
Less amounts representing interest		(26.0)
Present value of future minimum lease payments		40.0
Less current portion		(1.4)
Long term obligations		38.6

RELATED PARTY TRANSACTIONS

The Fund has entered into transactions with parties to which it is related. During the three months ended September 30, 2005 and 2004, distributions in the amount of $3.8 million and $2.1 million respectively were received from the Partnership. During the nine months ended September 30, 2005 and 2004, distributions in the amount of $8.5 million and $6.5 million respectively were received from the Partnership. The Fund had distributions receivable from the Partnership at September 30, 2005 in the amount of $1.5 million. The Fund has interest receivable from the Partnership with respect to the Class C LP Units at September 30, 2005 in the amount of $1.2 million (2004 – nil).

The Fund earned interest income in the amount of $3.5 million and $10.5 million for the three and nine months ended September 30, 2005 respectively with respect to the Galaxy Note (2004 - $3.5 million and $10.5 million).

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

COC and LCT provided the Partnership with management information systems support pursuant to a service agreement. For the three months and nine months ended September 30, 2004, the Partnership was charged $55 thousand and $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. This service agreement was terminated during the second quarter of 2005.

COC charged the Partnership $130 thousand and $0.4 million for the three and nine months ended September 30, 2005 for rent for the Partnership's head office (2004 - $130 thousand and $0.4 million). The Partnership charged COC $40 thousand and $61 thousand for certain theatre management services during the three and nine months ended September 30, 2005 (2004 - $41 thousand and $0.1 million respectively).

For the three months ended September 30, 2005 and 2004 the Partnership incurred expenses for film rental totaling $12.5 million and $6.9 million, respectively, to Alliance Atlantis Communications Inc. ("Alliance") and Motion Picture Distribution Limited Partnership ("Motion Picture"). For the nine months ended September 30, 2005 and 2004 the Partnership incurred expenses for film rental totaling $19.7 million and $17.8 million, respectively, to Alliance and 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. On March 24, 2005, Mr. Jacob resigned from the Board of Directors of Motion Picture.

The Partnership performs certain management and film booking services for the joint ventures in which it is a partner. During the three months ended September 30, 2005, the Partnership earned revenue in the amount of $0.3 million with respect to these services (2004 - $0.1 million). During the nine months ended September 30, 2005, the Partnership earned revenue in the amount of $0.6 million with respect to these services (2004 - $0.4 million).

A member of the Trustees of the Fund and a Director of Cineplex Galaxy General Partner Corporation received fees for consulting services provided with respect to the Acquisition in the amount of $0.1 million and $0.1 million for the three months and nine months ended September 30, 2005.

A trustee of the Fund was the President and Chief Executive Officer of Riocan. The trustee resigned from the Board of the Fund effective August 1, 2005. On June 29, 2005, the Partnership entered into a letter of intent to sell real estate interests in four theatre locations (two of which are Famous Players theatres) for an estimated $67 million to RioCan. The transaction closed on August 3, 2005 and proceeds of the sale were used to repay amounts borrowed to finance a portion of the purchase price for the Acquisition.

Up to July 31, 2005, the Partnership incurred rental costs for theatres under lease commitments with Riocan in the amount of $1.7 million and $1.9 million for the quarters ended September 30, 2005 and 2004 respectively. For the nine months ended September 30 2005 and 2004 the Partnership incurred rental costs for theatres under lease commitments with Riocan of $7.3 million and $5.6 million respectively.

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

	Three months ended September 30,		Nine months ended September 30,	
	2005	2004	2005	2004
Fund	$3,818	$2,147	$8,453	$6,395
Onex and its subsidiaries	7,367	5,822	20,400	18,392
Alliance	0	73	1,041	300
Other related parties	196	8	841	215

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

	As at September 30,	
	2005	2004
Fund	$1,500	$727
Onex and its subsidiaries	2,480	6,769
Alliance	0	610
Other related parties	72	342

During the three months ended September 30, 2005 Ellis Jacob, Chief Executive Officer of the Partnership, exchanged 146,149 Class B LP units for 146,149 Fund units under the provisions of the Exchange Agreement. The exchange has been recorded at fair market value as required by Abstract 151, Exchangeable Securities Issued by Subsidiaries of Income Trusts, which is effective for financial statements issued subsequent to January 19, 2005 (see Recent Accounting Developments below).

During the nine months ended September 30, 2005 Alliance exchanged 679,498 Fund units under the provision of the Exchange Agreement. The exchange has been recorded at fair market value as required by Abstract 151, Exchangeable Securities Issued by Subsidiaries of Income Trusts, which is effective for financial statements issued subsequent to January 19, 2005 (see Recent Accounting Developments below).

During the quarter ended September 30, 2004 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 has been restated to reflect fair market as required by EIC Abstract 151, Exchangeable Securities Issued by Subsidiaries of Income Trusts, which is effective for financial statements issued subsequent to January 19, 2005 (see Recent Accounting Developments below).

The Partnership issued 500,000 Class D LP Units, a new class of Partnership units, at an estimated value of $8.1 million to certain of its executives upon closing the Acquisition. This amount was recorded as compensation expense during the three months ended September 30, 2005. These units are not currently exchangeable for units of the Fund and will be entitled to receive distributions on substantially the same basis as the Class B LP Units. At the next meeting of unitholders of the Fund, unitholders will be asked to approve a resolution which would make the Class D LP Units exchangeable for units of the Fund. During the three and nine months ended September 30, 2005, the Partnership paid distributions in the amount of $0.1 million on the Class D Units held by management.

The Partnership agreed to pay Onex, a related party, a transaction fee of $4 million in connection with advisory services rendered by Onex in connection with the Acquisition, issuance of Fund units and Convertible Debentures, and entering into the Amended Credit Facilities. The Partnership did not engage a third party for these services. The fee was satisfied by the issuance of 248,447 Class D LP Units upon completion of the Acquisition. During the three and nine months ended September 30, 2005, the Partnership paid distributions in the amount of $48 thousand on the Class D Units held by Onex.

In April 2004, the Partnership acquired from COC two theatres 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.

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 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

Leases are classified as either capital or operating. Leases that transfer substantially all of the risks and benefits of ownership to the Partnership and meet the criteria for capital leases set out in CICA handbook Section 3065, "Leases", are accounted for as an acquisition of an asset and an assumption of an obligation at the inception of the lease, measure at the present value of minimum lease payments. Related building and equipment are amortized on a straight-line basis over the term of the lease. All other leases are accounted for as operating leases wherein rental payments are charged to income as incurred.

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.

Disposal of long-term assets and discontinued operations

As per CICA handbook Section 3475, "Disposal of Long-Term Assets and Discontinued Operations," a long-term asset must be classified as an asset held for sale in the period during which all required criteria have been met. A long-term asset to be disposed of by sale must be measured at the lower of its carrying amount or fair market value less selling costs and should not be amortized as long as it is classified as an asset to be disposed of by sale. Assets and liabilities classified as held for sale are recorded on the consolidated balance sheets as assets held for sale and as liabilities related to property held for sale. When a disposal group is a portion of a reporting unit that constitutes a business, goodwill is allocated to the disposal group and included in its carrying amount prior to determining any write-down or gain on sale of the discontinued operations. A long-term asset to be disposed of other than by sale, namely abandonment, before the end of its useful service life estimated previously, is classified as an asset held for sale until its disposal and the amortization estimates must be revised according to the assets' abbreviated useful service life. In addition, this standard specifies that the operating results of a company's component disposed of by sale, or by withdrawal, or being classified as held for sale, be included in the discontinued operations if the operations or cash flows of the component have been or will be eliminated from the Partnership's current operations pursuant to the disposal, and if the Partnership does not have significant continuing involvement in the operations of the component after the disposal transaction. Each theatre is considered a component of the Partnership as the operations and cash flows can be distinguished from the rest of the enterprise. Interest on debt that is assumed by the Partnership and interest on debt that is required to be repaid as a result of the disposal transaction is allocated to discontinued operations.

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 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. The Fund and the Partnership adopted the Guideline during the first quarter of 2005. As a result of the adoption of the Guideline, the Partnership was required to consolidate the trust that was formed to act as Trustee of the Partnership's Long-Term Incentive Plan. Details of the impact of the application of the Guideline are discussed in Note 2 to the Fund's and Partnership's Consolidated Financial Statements.

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.

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 during the nine months ended September 30, 2005, 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 three and nine months ended September 30, 2005 of $0.5 million and $1.5 million respectively (2004 - $0.5 million and $1.5 million).

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 Fund Unit should be calculated in the Fund's financial statements.

Class B LP Units are exchangeable for Fund Units. 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 Fund Unit 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 is immaterial.

RISKS AND UNCERTAINTIES

Investment in the Fund 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 Annual Information Form dated March 31, 2005 for a more detailed description of risks facing the Partnership. In addition, related to the Acquisition, the Partnership is susceptible to additional risk factors which include: (i) risks relating to the integration of the combined businesses and (ii) potential undisclosed liabilities relating to the acquisition. See "Risk Factors" detailed in the Fund's Prospectus dated July 11, 2005 for a more detailed discussion of the 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 $1.4 million (loss of $1.9 million as at September 30, 2004) that is not recognized on the balance sheet or statement of income in accordance with GAAP.

Interest Rate Risk

As of September 30, 2005, the Partnership had long-term debt and amounts due to the Trust (including current maturities) of $357 million. Approximately $257 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 $321 thousand per year. Offsetting this risk is the impact of the interest rate swap referred to above.

Other

Since 2003, three complaints have been filed with the Ontario Human Rights Commission against the Partnership, Alliance Atlantis Cinemas partnership and Famous Players Limited Partnership (the "Respondents") alleging discrimination against hearing impaired individuals for not providing sufficient technology to accommodate their disability. Similar complaints have been filed against other exhibitors and certain film distributors. All complaints have been referred to the Human Rights Tribunal (the "Tribunal") and have been joined together for hearing. The Respondents do not anticipate a judicial resolution of this matter during the next twelve months. At the present time the Partnership is unable to assess the magnitude of any potential ruling from the Tribunal. However, if the Tribunal ruled against the Respondents and forced the maximum provision of technology, the Respondents could face a substantial financial burden in terms of a capital expenditure.

The Respondents will continue to research changing technologies to determine how they can best accommodate the hearing impaired community. With the anticipated expansion of digital film from movie distributors in the near future, the specific technology requested by the Complainants is likely to become obsolete in a relatively few number of years to be replaced by alternative digital technology. The

Respondents are also in contact with groups that represent both the hearing and vision impaired communities in an effort to reach consensus on what technology each respective community prefers.

The Partnership is a defendant in various 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.

On September 19, 2005, advance tax rulings were suspended for businesses planning to convert into income trusts. The finance department has announced that it intends to have new income trust income tax regulations in place in 2006. As discussed above under *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. What, if any, impact new rules with respect to the taxation of income trusts will have on the Partnership cannot be estimated.

SUBSEQUENT EVENT

On October 3, 2005, the Partnership changed its name to Cineplex Entertainment Limited Partnership. On October 21, 2005, the Partnership and its joint venture partner disposed of one Alliance Atlantis brand theatre.

OUTLOOK

Management believes that the Acquisition will be immediately accretive to the Fund's distributable cash per Unit. In addition, management believes that the Partnership will benefit from cost-saving opportunities and other synergies through the integration of the operations of the Partnership and Famous Players. Specifically, management expects to realize cost savings through a reduction in consolidated general and administrative expenses, improved supply chain cost management and greater operational efficiency. Management expects that these synergies will result in annual savings of approximately $20 million once the operations of Famous Players and those of the Partnership have been fully integrated, which is expected to occur within six to nine months of the closing of the Acquisition.

Management believes there are significant opportunities to grow revenue and distributable cash per Unit following the Acquisition. For example, cinema advertising in Canada has only recently been established and represents a significant growth opportunity for the Partnership. Management believes that the larger cinema network resulting from the Acquisition will enhance demand from advertisers, enabling them to reach a broader audience of up to 85 million guest visits annually on a national basis. Management believes that the enhanced demand from advertisers and the sharing of best practices between the Partnership and Famous Players will result in greater advertising revenue and distributable cash per Unit. Other significant revenue growth opportunities include the sale of naming rights on certain theatres and auditoriums, increased revenue from games and the exploitation of benefits related to the Partnership's loyalty programs. In addition, the Acquisition will provide the opportunity to apply each company's core expertise to the other's operations. These improvements are expected to lead to higher revenues and improved operating margins on a combined basis than would be achievable if the entities continued to operate separately.

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.

November 2, 2005

Cineplex Galaxy Income Fund
Consolidated Balance Sheets

(expressed in thousands of Canadian dollars)

	September 30, 2005 (Unaudited)	December 31, 2004
Assets		
Current assets		
Cash and cash equivalents	**$ 1,190**	$ 1,179
Interest receivable from Cineplex Galaxy Limited Partnership (note 1)	**1,228**	-
Distributions receivable from Cineplex Galaxy Limited Partnership	**1,500**	752
	3,918	1,931
Due from Galaxy Entertainment Inc.	**100,000**	100,000
Investment in Cineplex Galaxy Limited Partnership (notes 1 and 2)	**209,761**	98,046
Investment in Cineplex Galaxy Limited Partnership Class C Units (notes 1 and 2)	**105,000**	-
Investment in Cineplex Galaxy General Partner Corporation	**2**	2
	$ 418,681	$ 199,979
Liabilities		
Current liabilities		
Distributions payable (note 5)	**$ 2,667**	$ 1,918
Interest payable on Convertible Debentures (note 7)	**1,225**	-
Due to Cineplex Galaxy Limited Partnership	**2**	4
	3,894	1,922
Convertible debentures - liability portion (notes 1 and 7)	**96,677**	-
	100,571	1,922
Unitholders' Equity	**318,110**	198,057
	$ 418,681	$ 199,979

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

Approved by the Board of Trustees

"BRUCE BIRMINGHAM"
Bruce Birmingham
Trustee

"ROBERT STEACY"
Robert Steacy
Trustee

Cineplex Galaxy Income Fund

Consolidated Statements of Earnings
(Unaudited)

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

	Three months ended September 30, 2005	Three months ended September 30, 2004	Nine months ended September 30, 2005	Nine months ended September 30, 2004
Share of income (loss) of Cineplex Galaxy Limited Partnership (note 4)	**$ 1,085**	$ 2,002	**$ (3,349)**	$ 2,670
Interest income (note 1)	**4,734**	3,503	**11,742**	10,503
Interest expense on Convertible Debentures (note 7)	**(1,449)**	-	**(1,449)**	-
Net earnings	**$ 4,370**	$ 5,505	**$ 6,944**	$ 13,173
Basic earnings per unit	**$ 0.17**	$ 0.28	**$ 0.31**	$ 0.68
Weighted average number of units outstanding used in computing earnings per unit	**26,185,103**	19,682,390	**22,313,793**	19,506,770
Diluted earnings per unit	**$ 0.16**	$ 0.28	**$ 0.31**	$ 0.67
Weighted average number of units outstanding used in computing diluted earnings per unit	**57,163,550**	47,566,974	**50,800,985**	47,566,974

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

Cineplex Galaxy Income Fund

Consolidated Statements of Unitholders' Equity
(Unaudited)

(expressed in thousands of Canadian dollars)

For the nine months ended September 30, 2005

	Unitholders' capital (note 6)	Accumulated earnings	Accumulated distributions	Total
Balance - January 1, 2005	$ 201,477	$ 21,313	$ (24,733)	$ 198,057
Issuance of units	110,044	-	-	110,044
Issuance of Convertible Debentures - equity component (notes 1 and 7)	8,546	-	-	8,546
Issuance of units under Exchange Agreement (note 6)	14,220	-	-	14,220
Distributions declared (note 5)	-	-	(19,701)	(19,701)
Net earnings for the period	-	6,944	-	6,944
Balance - September 30, 2005	$ 334,287	$ 28,257	$ (44,434)	$ 318,110

For the nine months ended September 30, 2004

	Unitholders' capital (note 6)	Accumulated earnings	Accumulated distributions	Total
Balance - January 1, 2004	$ 194,000	$ 4,046	$ (2,169)	$ 195,877
Issuance of units under Exchange Agreement (note 6)	4,052	-	-	4,052
Distributions declared (note 5)	-	-	(16,834)	(16,834)
Net earnings for the period	-	13,173	-	13,173
Balance - September 30, 2004	$ 198,052	$ 17,219	$ (19,003)	$ 196,268

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

Cineplex Galaxy Income Fund

Consolidated Statements of Cash Flows
(Unaudited)

(expressed in thousands of Canadian dollars)

	Three months ended September 30, 2005	Three months ended September 30, 2004	Nine months ended September 30, 2005	Nine months ended September 30, 2004
Cash provided by (used in)				
Operating activities				
Net earnings for the period	**$ 4,370**	$ 5,505	**$ 6,944**	$ 13,173
Item not affecting cash and cash equivalents				
Share of (income) loss from equity investee (note 4)	**(1,085)**	(2,002)	**3,349**	(2,670)
Accretion of Convertible Debentures	**223**	-	**223**	-
Interest receivable from Galaxy Entertainment Inc.	**-**	1,167	**-**	1,381
Distributions received from Cineplex Galaxy Limited Partnership (note 8)	**3,818**	2,147	**8,452**	6,395
Change in operating assets and liabilities	**(3)**	-	**(3)**	-
	7,323	6,817	**18,965**	18,279
Investing activities				
Investment in Cineplex Galaxy Limited Partnership (note 1)	**(110,044)**	-	**(110,044)**	-
Investment in Class C LP Units (note 1)	**(105,000)**	-	**(105,000)**	-
	(215,044)	-	**(215,044)**	-
Financing activities				
Issuance of units (note 1)	**110,044**	-	**110,044**	-
Issuance of Convertible Debentures (note 1)	**105,000**	-	**105,000**	-
Distributions paid	**(7,318)**	(5,648)	**(18,952)**	(17,110)
Due to Cineplex Galaxy Limited Partnership	**(2)**	(445)	**(2)**	(456)
	207,724	(6,093)	**196,090**	(17,566)
Increase in cash and cash equivalents during the period	**3**	724	**11**	713
Cash and cash equivalents - Beginning of period	**1,187**	449	**1,179**	460
Cash and cash equivalents - End of period	**$ 1,190**	$ 1,173	**$ 1,190**	$ 1,173
Supplemental information				
Cash received for interest	**$ 3,503**	$ 4,668	**$ 10,511**	$ 11,883

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.

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

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 commenced operations on November 26, 2003 and is currently Canada’s largest film exhibition organization with theatres in six provinces.

On July 22, 2005, the Partnership acquired 100% of the Famous Players Limited Partnership (“Famous Players”) and its general partner, Famous Players Co. (the “Acquisition”), which together hold substantially all the assets and liabilities of Viacom Canada Inc.’s (“Viacom Canada”) film exhibition business formerly operated by its Famous Players division, including its subsidiaries’ shares and joint venture interests and excluding liabilities to related parties other than to related parties relating solely to film distribution rights on arm’s-length terms. On closing of the transaction, total consideration incurred by the Partnership to acquire the net assets noted above amounted to $448,688 in cash plus transaction costs. The purchase agreement provides that the net cash flow of the Famous Players’ business from and including April 29, 2005 to closing of the Acquisition is to be for the account of the Partnership in the form of a purchase price adjustment. This purchase price adjustment has not yet been finalized.

On July 22, 2005, the Fund issued 6,835,000 units for proceeds of approximately $110,044 (note 6) and convertible extendible unsecured subordinated debentures (“Convertible Debentures”) (note 7) for proceeds of $105,000, on the closing of the offering (the “Offering”). The Partnership and the Fund entered into a reimbursement agreement under which fees associated with the issuance of the Fund units and Convertible Debentures in the amounts of $5,502 and $4,200, respectively, were reimbursed by the Partnership.

On July 22, 2005, the Fund indirectly purchased 6,835,000 Class A Partnership units (“Class A LP Units”) for an additional 6.4% interest in the Partnership and 6.4% of common shares of Cineplex Galaxy General Partner Corporation for a nominal amount. As a result, the Fund’s indirect ownership of the Partnership, held through the Trust, increased to approximately 50.2% as at July 22, 2005. In addition, the Fund indirectly acquired 5,600,000 Class C LP Units. The total cash paid for the Class A LP Units and Class C LP Units is $215,044. As a result of the issuance of additional Fund units in a one-for-one exchange of Class B Series 2G Partnership units subsequent to July 22, 2005, the Fund’s indirect ownership of the Partnership, held through the Trust, increased to approximately 50.5% at September 30, 2005 (note 6).

The Partnership used these proceeds to finance the Acquisition. The additional investment in the Partnership is comprised of an investment of $110,044 in Class A LP Units and an investment of $105,000 in Class C LP Units. The Class C LP Units are entitled to a distribution on the business day before June 30 and December 31 each year, in priority to distributions paid on the Class A LP Units, Class B LP Units and Class D LP Units, equal to 6.02% per annum. Upon conversion of the Convertible Debentures, the Class C LP Units will automatically adjust such that each Class C LP Unit will receive distributions in the same manner as the distributions are made for a corresponding Class A LP Unit. The Class C LP Units are redeemable by the Trust in order to provide the Fund with sufficient cash to repay, repurchase, or redeem the Convertible Debentures.

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

The Fund prepares its unaudited interim consolidated financial statements in accordance with Canadian generally accepted accounting principles. The disclosures contained in these unaudited interim consolidated financial statements do not include all requirements of generally accepted accounting principles for annual financial statements and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2004.

Due to the limited amount of information that these unaudited interim consolidated financial statements provide on the underlying operations of the Partnership, these unaudited interim consolidated financial statements should be read in conjunction with the unaudited interim consolidated financial statements of the Partnership for the nine months ended September 30, 2005.

Results for the nine months ended September 30, 2005 are not necessarily indicative of results expected for the full fiscal year or any other future period due to business seasonality of the Partnership. As the Fund has significant influence over the Partnership, its investment is accounted for using the equity method.

The unaudited interim consolidated financial statements follow the same accounting policies and methods of application as the audited consolidated financial statements for the year ended December 31, 2004, except as disclosed herein.

2 Business acquisition

As a result of the Acquisition, the Fund indirectly acquired an additional 6.4% interest in the Partnership and the General Partner (note 1). The total consideration was $110,044 in cash for the additional 6.4% interest in the Partnership and a nominal amount for the additional 6.4% interest in the General Partner.

As a result of the additional investment in the Partnership, the Fund's 6.4% increased share of the net book value of the underlying identifiable net liabilities, excluding goodwill, of the Partnership was $8,860 at the date of the step acquisition. The cost of the Fund's investment of $110,044 in the Partnership exceeded the underlying carrying value of the net liabilities of the Partnership in the amount of $118,904. This excess has been allocated to: property, equipment and leaseholds in the amount of $4,918; advertising contracts in the amount of $624; and to trademarks in the amount of $2,164. The remaining $111,198 represents equity method goodwill. Amounts allocated to buildings, equipment and leaseholds will be amortized over a period of approximately 9.5 years and to advertising contracts over approximately 5.0 years. As the useful lives of trademarks and goodwill are indefinite, no amortization is recorded on these assets. The above allocation of the purchase price is preliminary as the fair value assessment has not been finalized. The actual calculation and allocation of the purchase price will be based on the estimated fair value of the assets acquired and liabilities assumed at the date of the Acquisition. Accordingly, the purchase price will be adjusted subsequently upon completion of the final purchase price allocation process; variations may be material.

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

Equity method goodwill as at September 30, 2005 is as follows:

	$
Equity method goodwill as per November 26, 2003 investment in the Partnership	131,247
Equity method goodwill as per July 22, 2005 investment in the Partnership	111,198
	242,445

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 4). At September 30, 2005 the Fund's investment in the Partnership consists of the following:

Equity investment		
26,235,000 Class A LP Units (note 1)	$	204,042
1,603,992 Class B LP Units (note 6)		21,697
Accumulated share of Partnership income		2,575
Less: Accumulated distributions received or receivable		(18,553)
		209,761
5,600,000 Class C LP Units (note 1)		105,000
Total investment		314,761

3 Summary of significant accounting policies

Variable interest entities

In June 2003, The Canadian Institute of Chartered Accountants ("CICA") issued Accounting Guideline 15, "Consolidation of Variable Interest Entities" ("AcG 15"). In November 2004, the CICA amended AcG 15 to make it effective for annual and interim periods beginning on or after November 1, 2004. AcG 15 addresses the consolidation of business enterprises to which the usual condition (ownership of a majority voting interest) of consolidation does not apply. This interpretation focuses on controlling financial interests that may be achieved through arrangements that do not involve voting interests. It concludes that in the absence of clear control through voting interests, a company's exposure (variable interest) to the economic risks and potential rewards from the variable interest entity's ("VIE's") assets and activities is the best evidence of control. If an enterprise holds a majority of the variable interests of an entity by either absorbing the majority of the VIE's expected losses or receiving the majority of the VIE's expected residual returns, or both, it would be considered the primary beneficiary. Upon consolidation, the primary beneficiary is generally required to include assets, liabilities and non-controlling interests at fair value and subsequently account for the variable interest as if it were consolidated based on the majority voting interest.

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

The Fund holds a significant variable interest in the Partnership through its investment in units of the Partnership. This variable interest originated on November 26, 2003 upon the formation of the Partnership and the Fund's investment therein. The Fund's maximum exposure to loss as a result of its involvement with the Partnership is its $314,761 investment in the Partnership as at September 30, 2005. In addition, the Trust has guaranteed the Amended Credit Facilities undertaken by the Partnership and has granted a security interest over its assets, including a pledge of its Class A LP Units, Class B LP Units, Class C LP Units, shares of the General Partner and the Galaxy Notes. Total debt outstanding under the Amended Credit Facilities as at September 30, 2005 is $257,000.

The Fund also holds a significant variable interest in Galaxy Entertainment Inc. ("GEI") through the Galaxy Note. This variable interest originated on November 26, 2003 upon the formation of the Partnership. The Galaxy Note is subordinated to the Partnership's Amended Credit Facilities and has been pledged by the Trust against the Amended Credit Facilities. The Fund's maximum exposure to loss as a result of its involvement with GEI is its $100,000 investment in the Galaxy Note and any unpaid accrued interest thereon. The Galaxy Note bears interest at the rate of 14% per annum, and the balance of accrued unpaid interest as at September 30, 2005 is $nil.

However, based on an evaluation of the risks held by the Fund through its variable interests in the Partnership and GEI, respectively, it has been determined that the Fund is not the primary beneficiary of the Partnership or GEI. The Partnership therefore continues to consolidate GEI. The Fund will continue to account for the Partnership under the equity method as Onex Corporation continues to hold both a substantial equity interest in the Partnership and, indirectly, the majority controlling interest in the General Partner that controls the Partnership.

Financial instruments - convertible debentures

As per CICA handbook Section 3860, "Financial Instruments - Disclosure and Presentation," the Fund classifies the component parts of its convertible debentures as a liability or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and equity instrument rather than its legal form. The financial liability component is accreted by way of a charge to interest expense.

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 and the Convertible Debentures into units of the Fund at the beginning of the reporting period, or at the time of issuance, if later.

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

4 Share of Partnership income (loss)

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

	Three months ended September 30, 2005	Three months ended September 30, 2004	**Nine months ended September 30, 2005**	Nine months ended September 30, 2004
Consolidated Partnership net income	**$ 5,672**	$ 10,442	**$ 5,715**	$ 23,420
Adjustment for Catch-up Payment from Partnership to Class B LP unitholders	**(3,665)**	(4,951)	**(13,039)**	(15,108)
Remaining income (loss) to be distributed pro rata to Class A LP and Class B LP unitholders	**$ 2,007**	$ 5,491	**$ (7,324)**	$ 8,312
Fund's proportionate % share (a)	**$ 1,450**	$ 2,248	**$ (2,491)**	$ 3,409
Adjustments for excess of purchase price over net assets acquired (note 2)	**(365)**	(246)	**(858)**	(739)
Share of Partnership income (loss)	**$ 1,085**	$ 2,002	**$ (3,349)**	$ 2,670

(a) During the period, the Fund's indirect ownership of the Partnership, held through the Trust, increased from approximately 42.1% as at December 31, 2004 to approximately 50.5% as at September 30, 2005 (41.6% as at September 30, 2004) (note 6). The Fund's proportionate share of the income (loss) available to be distributed to the Class A LP and Class B LP unitholders has been adjusted to reflect its increased ownership.

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

5 Distributions payable

The Fund declared the following distributions during the nine-month periods ended September 30:

	2005		2004	
Record date	**Amount**	**Amount per unit**	**Amount**	**Amount per unit**
January	$ 1,918.7	$ 0.0958	$ 1,858.5	$ 0.0958
February	1,933.1	0.0958	1,858.5	0.0958
March	1,933.1	0.0958	1,858.5	0.0958
April	1,933.1	0.0958	1,858.5	0.0958
May	1,998.2	0.0958	1,858.5	0.0958
June	1,998.2	0.0958	1,872.8	0.0958
July	2,653.0	0.0958	1,880.8	0.0958
August	2,667.0	0.0958	1,893.8	0.0958
September	2,667.0	0.0958	1,893.8	0.0958

The distributions will be paid within 30 days following the end of each month.

6 Unitholders' capital

During the three months and nine months ended September 30, 2005, under the provisions of the Exchange Agreement, certain investors, including a related party, exchanged 146,149 and 980,303 Class B, Series 1 and 2G Partnership units for 146,149 and 980,303 Fund units, respectively. The Fund recorded the Partnership units it acquired at the fair market value of the Fund units on the date of the transaction. The differences between the fair market value and the value at which the Fund units were issued in the amounts of $(59) and $53 have been charged to unitholders' equity resulting in a net increase in unitholders' capital of $2,352 and $14,220, respectively.

During the three months and nine months ended September 30, 2004, under the provisions of the Exchange Agreement, investors related to the Fund exchanged 83,724 and 232,594 Class B, Series 1 Partnership units for 83,724 and 232,594 Fund units, respectively. As these are related party transactions, the Fund initially recorded the Partnership units it acquired at the exchanging investors' carrying value. The difference between the investors' carrying value and the value at which the Fund units were issued was previously charged to unitholders' equity in the amounts of $150 and $355 resulting in a net increase in unitholders' capital of $733 and $2,036, respectively. Effective December 31, 2004, the Fund implemented, on a retroactive basis with prior periods restated, Emerging Issues Committee ("EIC") Abstract 151, "Exchangeable Securities Issued by Subsidiaries of Income Trusts." As a result, the Fund has restated the Partnership units it acquired to be recorded at fair market value of the Fund units on the date of the transaction. The revised difference between the fair market value and the value at which the Fund units were issued has been charged to unitholders' equity in the amount of $38 and $19 resulting in a net increase to unitholders' capital and investment in the Partnership of $921 and $2,410, respectively.

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

On August 19, 2004, under the provision 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 charged to unitholders' equity resulting in a net increase in unitholders' capital of $1,642.

There are 27,838,992 Fund units issued at September 30, 2005 (September 30, 2004 - 19,768,340) for $325,741 (September 30, 2004 - $198,052).

	Three months ended				Nine months ended			
	September 30, 2005		September 30, 2004		September 30, 2005		September 30, 2004	
	Number of Fund units	Amount	Number of Fund units	Amount	Number of Fund units	Amount	Number of Fund units	Amount
Units - Beginning of period	**20,857,843**	**$ 213,345**	19,548,870	$ 195,489	**20,023,689**	**$ 201,477**	19,400,000	$ 194,000
Issuance of units (note 1)	**6,835,000**	**110,044**	-	-	**6,835,000**	**110,044**	-	-
Issuance of Convertible Debentures - equity component (note 1)	**-**	**8,546**	-	-	**-**	**8,546**	-	-
Issuance of units under Exchange Agreement	**146,149**	**2,352**	219,470	2,563	**980,303**	**14,220**	368,340	4,052
Units - End of period	**27,838,992**	**$ 334,287**	19,768,340	$ 198,052	**27,838,992**	**$ 334,287**	19,768,340	$ 198,052

7 Long-term debt

On July 22, 2005, the Fund issued convertible extendible unsecured subordinated debentures ("Convertible Debentures") for proceeds of $105,000. The Convertible Debentures have a final maturity date of December 31, 2012, are convertible into Fund units at the option of the holder and bear interest at a rate of 6.0% per annum. The Convertible Debentures cannot be redeemed by the Fund prior to December 31, 2008. After December 31, 2008 and on or prior to December 31, 2010, the Convertible Debentures will be redeemable in whole or in part from time to time at the option of the Fund on not more than 60 days and not less than 30 days prior notice at a price equal to the principal amount thereof plus accrued and unpaid interest, provided that the volume weighted average trading price of the units on the Toronto Stock Exchange for the 20 consecutive trading days ending on the fifth trading day preceding the day prior to the date upon which the notice of redemption is given is at least 125% of the conversion price. After December 31, 2010, the Convertible Debentures will be redeemable prior to maturity in whole or in part from time to time at the option of the Fund on not more than 60 days and not less than 30 days prior notice at a price equal to the principal amount thereof plus accrued and unpaid interest. The Convertible Debentures have characteristics of both debt and equity and as such, an amount of $96,454 is classified as a liability and the remainder of $8,546 recorded in equity. As a result, interest expense includes a charge for interest as well as accretion of the liability to the final maturity date.

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

8 Comparative figures

Comparative amounts for distributions received from Cineplex Galaxy Limited Partnership have been reclassified from an investing activity to an operating activity in the consolidated statements of cash flows to conform to the current year's financial statement presentation.

9 Subsequent event

On October 3, 2005, the Partnership changed its name to Cineplex Entertainment Limited Partnership.

Cineplex Galaxy Limited Partnership
Consolidated Balance Sheets

(expressed in thousands of Canadian dollars)

	September 30, 2005 (Unaudited)	December 31, 2004 (note 6)
Assets		
Current assets		
Cash and cash equivalents	**$ 25,221**	$ 38,427
Restricted cash (note 3)	**-**	7,637
Accounts receivable	**15,184**	10,931
Inventories	**4,066**	1,899
Prepaid expenses and other current assets	**3,457**	2,665
Due from related parties	**10**	4
Assets held for sale - current (note 6)	**448**	481
	48,386	62,044
Property, equipment and leaseholds	**451,043**	225,905
Goodwill (note 2)	**192,128**	22,942
Intangible assets (note 2)	**62,645**	2,228
Future income taxes	**3,264**	1,615
Assets held for sale - long-term (note 6)	**2,000**	8,949
Deferred charges	**9,442**	1,747
	$ 768,908	$ 325,430

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

Approved by the Board of Directors

"ELLIS JACOB"
Ellis Jacob
Director

"ANTHONY MUNK"
Anthony Munk
Director

Cineplex Galaxy Limited Partnership
Consolidated Balance Sheets …*continued*
(Unaudited)
As at September 30, 2005

(expressed in thousands of Canadian dollars)

	September 30, 2005 (Unaudited)	December 31, 2004 (note 6)
Liabilities		
Current liabilities		
Accounts payable and accrued expenses (note 13)	**$ 58,257**	$ 26,280
Distributions payable	**4,117**	10,996
Due to related parties (note 13)	**6,317**	1,655
Income taxes payable	**467**	153
Deferred revenue	**25,553**	13,580
Current portion of long-term debt (note 4)	**18,044**	52
Current portion of capital lease obligations (note 7)	**1,357**	-
Liabilities related to property held for sale - current (note 6)	**126**	92
	114,238	52,808
Long-term debt (note 4)	**239,000**	125,512
Capital lease obligations - long-term (note 7)	**38,626**	-
Due to Cineplex Galaxy Trust	**100,000**	100,000
Accrued pension liability	**7,257**	589
Liabilities related to property held for sale - long-term (note 6)	**400**	6,717
Other liabilities	**119,633**	83,067
Class C Units - liability component (note 2)	**96,937**	-
	716,091	368,693
Non-controlling interest	**306**	-
	716,397	368,693
Partners' Equity (Deficiency)		
Partners' equity (deficit)	**52,511**	(43,263)
	$ 768,908	$ 325,430

Commitments and contingencies (note 8)

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

Cineplex Galaxy Limited Partnership

Consolidated Statements of Income
(Unaudited)

(expressed in thousands of Canadian dollars)

	Three months ended September 30, 2005	Three months ended September 30, 2004 (note 6)	Nine months ended September 30, 2005 (note 6)	Nine months ended September 30, 2004 (note 6)
Revenue				
Box office	**$ 96,713**	$ 56,539	**$ 190,632**	$ 159,652
Concessions	**42,440**	22,738	**82,745**	64,560
Other	**12,726**	5,783	**23,736**	14,727
	151,879	85,060	**297,113**	238,939
Expenses				
Film cost	**48,760**	29,207	**98,080**	82,617
Cost of concessions	**8,409**	4,674	**16,750**	13,241
Occupancy	**32,117**	11,484	**56,029**	34,911
Other theatre operating expenses	**35,073**	16,393	**66,781**	46,404
General and administrative	**16,524**	3,535	**25,930**	10,451
Management fee	**-**	165	**224**	500
	140,883	65,458	**263,794**	188,124
Income before undernoted	**10,996**	19,602	**33,319**	50,815
Amortization	**14,136**	5,858	**26,713**	16,303
Loss (gain) on disposal of theatre assets	**195**	(72)	**176**	(114)
Loss on extinguishment of debt (note 4)	**4,156**	-	**4,156**	-
Impairment of long-lived assets (note 10)	**4,296**	-	**4,296**	-
Interest on long-term debt	**6,160**	2,068	**10,710**	5,973
Interest on loan from Cineplex Galaxy Trust	**3,500**	3,500	**10,500**	10,500
Interest income	**(109)**	(200)	**(287)**	(355)
(Loss) income before income taxes	**(21,338)**	8,448	**(22,945)**	18,508
Provision for (recovery of) income taxes				
Current	**854**	74	**1,028**	171
Future	**(1,566)**	-	**(1,566)**	-
	(712)	74	**(538)**	171
(Loss) income before non-controlling interests and discontinued operations	**(20,626)**	8,374	**(22,407)**	18,337
Non-controlling interests	**614**	-	**614**	-
(Loss) income from continuing operations	**(21,240)**	8,374	**(23,021)**	18,337
Income from discontinued operations (note 6)	**26,912**	2,068	**28,736**	5,083
Net income for the period	**$ 5,672**	$ 10,442	**$ 5,715**	$ 23,420

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

Cineplex Galaxy Limited Partnership

Consolidated Statements of Partners' Equity (Deficiency)
(Unaudited)

(expressed in thousands of Canadian dollars)

For the nine months ended September 30, 2005

	Partners' capital (note 9)	Deficit	Accumulated ea	Accumulated d	Total
Balance - January 1, 2005	$ 110,203	$ (147,795)	$ 38,949	$ (44,620)	$ (43,263)
Distributions declared	-	-	-	(32,693)	(32,693)
Issuance of Partnership units - net of costs	114,297	-	-		114,297
Issuance of Class C Partnership units - equity component (note 2)	8,546	-	-	-	8,546
Investment in Cineplex Galaxy Income Fund units (notes 2 and 9)	(282)	-	-	-	(282)
LTIP compensation obligation (notes 2 and 9)	191	-	-	-	191
Net income for the period	-	-	5,715	-	5,715
Balance - September 30, 2005	$ 232,955	$ (147,795)	$ 44,664	$ (77,313)	$ 52,511

For the nine months ended September 30, 2004

	Partners' capital (note 9)	Deficit	Accumulated ea	Accumulated d	Total
Balance - January 1, 2004, as previously reported	$ 110,425	$ (147,698)	$ 8,707	$ (3,937)	$ (32,503)
Adoption of asset retirement obligation standard	-	(121)	(6)	-	(127)
Balance - January 1, 2004, as restated	110,425	(147,819)	8,701	(3,937)	(32,630)
Distributions declared	-	-	-	(30,512)	(30,512)
Formation of Partnership issuance costs	(222)	-	-	-	(222)
Contribution of capital on acquisition of theatres	-	24	-	-	24
Net income for the period	-	-	23,420	-	23,420
Balance - September 30, 2004	$ 110,203	$ (147,795)	$ 32,121	$ (34,449)	$ (39,920)

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

Cineplex Galaxy Limited Partnership

Consolidated Statements of Cash Flows
(Unaudited)

(expressed in thousands of Canadian dollars)

	Three months ended September 30, 2005	Three months ended September 30, 2004	Nine months ended September 30, 2005	Nine months ended September 30, 2004
Cash provided by (used in)				
Operating activities				
Net income for the period	**$ 5,672**	$ 10,442	**$ 5,715**	$ 23,420
Adjustments to reconcile net income to net cash used in operating activities				
Amortization of property, equipment and leaseholds	**14,214**	6,159	**27,428**	17,201
Amortization of tenant inducements, rent averaging liabilities and fair value lease contract assets	**(519)**	(1,446)	**(3,246)**	(3,927)
Amortization of debt issuance costs	**466**	291	**935**	705
Future income taxes	**(1,566)**	-	**(1,566)**	-
Loss on extinguishment of debt (note 4)	**4,156**	-	**4,156**	-
Impairment of long-lived assets (note 10)	**4,296**	-	**4,296**	-
Tenant inducements (note 13)	**269**	428	**2,165**	978
Issuance of Class D LP Units (note 2)	**8,050**	-	**8,050**	-
Gain on disposal of theatre assets	**(26,403)**	(72)	**(26,422)**	(114)
Changes in operating assets and liabilities (note 5)	**(7,671)**	(2,801)	**(16,532)**	(21,536)
	964	13,001	**4,979**	16,727
Investing activities				
Proceeds from sale of theatre assets (note 2)	**67,001**	72	**67,026**	122
Proceeds from sale of discontinued operations (note 6)	**85,004**	-	**85,004**	-
Capital expenditures	**(9,497)**	(8,759)	**(17,863)**	(14,217)
Acquisition of Famous Players Limited Partnership and Famous Players Co. - net of cash acquired (note 2)	**(431,188)**	-	**(448,688)**	-
Cash received from segregated account for distribution (note 3)	**-**	-	**8,297**	-
Cash transferred to segregated account for future distributions (note 3)	**-**	(2,073)	**(691)**	(5,531)
	(288,680)	(10,760)	**(306,915)**	(19,626)
Financing activities				
Borrowings under credit facility (note 4)	**263,000**	5,500	**282,500**	11,000
Payments under capital leases	**(210)**	-	**(210)**	-
Issuance of Partnership units - net of issuance costs (note 2)	**207,247**	-	**207,247**	-
Formation of Partnership issuance costs paid	**-**	(120)	**-**	(222)
Distributions paid	**(11,625)**	(8,097)	**(39,571)**	(25,529)
Repayment of long-term debt (note 4)	**(147,005)**	(12)	**(151,018)**	(37)
Investment in Cineplex Galaxy Income Fund units (note 3)	**-**	-	**(423)**	-
Deferred financing fees (notes 2 and 4)	**(7,780)**	-	**(9,818)**	-
	303,627	(2,729)	**288,707**	(14,788)
Increase (decrease) in cash and cash equivalents during the period	**15,911**	(488)	**(13,229)**	(17,687)
Cash and cash equivalents - Beginning of period (note 6)	**9,523**	26,328	**38,663**	43,527
Cash and cash equivalents - End of period (note 6)	**$ 25,434**	$ 25,840	**$ 25,434**	$ 25,840
Supplemental information				
Cash paid for interest	**$ 7,541**	$ 6,007	**$ 18,628**	$ 15,914
Cash paid for income taxes - net	**$ 223**	$ 73	**$ 600**	$ 177

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

(expressed in thousands of Canadian dollars, except per unit amounts or as otherwise noted)

1 Description of business

Cineplex Galaxy Limited Partnership (the “Partnership”) commenced operations on November 26, 2003 and was formed 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”).

2 Business acquisition

On July 22, 2005, the Partnership acquired 100% of the Famous Players Limited Partnership (“Famous Players”) and its general partner, Famous Players Co. (the “Acquisition”), which together hold substantially all the assets and liabilities of Viacom Canada Inc.’s (“Viacom Canada”) film exhibition business formerly operated by its Famous Players division, including its subsidiaries’ shares and joint venture interests and excluding liabilities to related parties other than to related parties relating solely to film distribution rights on arm’s-length terms. On closing of the transaction, total consideration incurred by the Partnership to acquire the net assets noted above amounted to $468,806 in cash plus transaction costs. The Purchase Agreement provides that the net cash flow of the Famous Players’ business from and including April 29, 2005 to closing of the Acquisition is to be for the account of the Partnership in the form of a purchase price adjustment. This purchase price adjustment has not yet been finalized.

In order to fund the Acquisition, the Partnership issued indirectly to Cineplex Galaxy Income Fund (the “Fund”) 6,835,000 Class A LP Units for gross proceeds of approximately $110,044 and 5,600,000 Class C LP Units for gross proceeds of $105,000. Class C LP Units will be entitled to a distribution on the business day before June 30 and December 31 each year, in priority to distributions paid on the Class A LP Units, Class B LP Units and Class D LP Units, equal to 6.02% per annum. The Fund financed the acquisition of the Class A LP Units and Class C LP Units through the issuance of 6,835,000 units at $16.10 per unit to raise gross proceeds of approximately $110,044, and the issuance of $105,000 convertible extendible unsecured subordinated debentures (the “Convertible Debentures”), bearing interest at a rate of 6.0% per annum, payable semi-annually and convertible at the option of the holder into units of the Fund at $18.75 per unit (collectively, “the Offering”). Upon conversion of the Convertible Debentures to Fund units, distributions on Class C LP Units will automatically adjust such that the holder of Class C LP Units will receive distributions in the same manner as distributions are made on the corresponding number of Class A LP Units. The Partnership and the Fund entered into a reimbursement agreement under which fees associated with the issuance of the Fund units and Convertible Debentures in the amounts of $5,502 and $4,200 were reimbursed by the Partnership. The Partnership recorded the fees in partners’ equity and deferred charges, respectively, and will amortize the deferred charges into interest expense over 3.5 years.

The Class C LP Units are redeemable by the Trust in order to provide the Fund with sufficient cash to repay, repurchase, or redeem the Convertible Debentures and as such they have characteristics of both debt and equity. As a result, under the provisions of CICA handbook Section 3860, “Financial Instruments - Disclosure and Presentation,” an amount of $96,454 is classified as a liability and the remainder of $8,546 is recorded in equity as it represents the value of the conversion option. Distributions and accretion on the Class C LP Units are included in interest expense.

(expressed in thousands of Canadian dollars, except per unit amounts or as otherwise noted)

The Partnership issued 500,000 Class D LP Units, a new class of Partnership units, at an estimated value of $8,050 to certain of its executives upon closing of the Acquisition. This amount was recorded as compensation expense as at July 22, 2005 and is included in general and administrative expenses. These units are not exchangeable for units of the Fund and will be entitled to receive distributions on substantially the same basis as the Class B LP Units. In addition, the Partnership agreed to pay Onex Corporation (“Onex”), a related party, a transaction fee of $4,000 in connection with advisory services rendered by Onex in connection with the Acquisition, issuance of Fund units and Convertible Debentures, and entering into the Amended Credit Facilities. The fee was satisfied by the issuance of 248,447 Class D LP Units on completion of the Acquisition. At the next meeting of unitholders of the Fund, unitholders will be asked to approve a resolution which would make the Class D LP Units exchangeable for units of the Fund.

During the three months ended September 30, 2005, the Partnership sold real estate interests in four theatre locations (two of which are Famous Players theatres) for proceeds of $67,000 to RioCan Real Estate Investment Trust (“RioCan”), a related party. As part of the agreement, the Partnership leased back the four theatres. Proceeds of the sale were used to repay amounts borrowed to finance a portion of the purchase price for the Acquisition. The four leases are treated as operating leases under the provisions of CICA handbook Section 3065, “Leases.” The four sale-leaseback transactions were recorded at the exchange amount as lease transactions occurring in the normal course of operations. A gain was realized on one of the properties in the amount of $12,916. As required under CICA handbook Section 3065, this gain has been deferred and will be amortized against occupancy expense over the term of the lease. A loss of $196 was realized on the sale-leaseback of the remaining three properties and recorded in loss (gain) on disposal of theatre assets.

In connection with the Acquisition, the Partnership entered into an amended and restated credit agreement with a syndicate of lenders pursuant to which it will have available: (i) a 364-day $50,000 extendible senior secured revolving credit facility; (ii) a four-year $315,000 senior secured non-revolving term credit facility; and (iii) a four-year $60,000 senior secured revolving credit facility (“Amended Credit Facilities”) (note 4).

(expressed in thousands of Canadian dollars, except per unit amounts or as otherwise noted)

Using the proceeds from the above transactions, the Partnership acquired all of the limited partnership units of Famous Players and all of the shares of Famous Players Co. for total consideration of $452,482. The Acquisition has been accounted for by the purchase method and, accordingly, the results of operations of the business acquired have been included in the consolidated financial statements since the acquisition date. Based on management's best estimates, the purchase price has been allocated to the assets and liabilities of Famous Players as follows:

Assets and liabilities acquired		
Property, equipment and leaseholds	$	329,911
Advertising contracts - amortized over five years		23,300
Trademarks and trade names - indefinite useful life		33,200
Goodwill		184,187
Fair value of leases - assets		14,440
Fair value of leases - liabilities		(24,670)
Net pension liability		(6,632)
Net working capital deficiency		(22,157)
Other liabilities		(18,775)
Capital leases		(40,204)
Net assets		472,600
Less: Cash from the Acquisition		(20,118)
		452,482
Consideration given		
Cash paid for Acquisition of Famous Players - net of cash from the Acquisition	$	448,688
Transaction costs associated with the Acquisition		3,794
	$	452,482

The above allocation of the purchase price is preliminary as the fair value assessments have not been finalized. The actual calculation and allocation of the purchase price will be based on the estimated fair value of the assets acquired and liabilities assumed at the effective date of the Acquisition. Accordingly, the final purchase price allocations will be adjusted subsequent to completion of the final fair value assessment process; variations may be material.

Famous Players and the Partnership are not subject to income or capital taxes as income, if any, is taxed in the hands of the individual partners. The amount of goodwill that is deductible for tax purposes has not yet been finalized.

As a result of the Acquisition, the Partnership has identified areas where there exists a duplication of functions and as a result has undertaken a restructuring of the workforce in both the Partnership and in Famous Players. Involuntary termination benefits were communicated to the corresponding employees and the anticipated date of completion of services to be provided by the terminated employees is February 2006. During the three months ended September 30, 2005, the Partnership has recorded involuntary termination benefits of $740 in

(expressed in thousands of Canadian dollars, except per unit amounts or as otherwise noted)

general and administrative expenses in accordance with Emerging Issues Committee (“EIC”) Abstract 134, “Accounting for Severance and Termination Benefits.” Termination payments of $204 have been charged to the accrual during the three months ended September 30, 2005.

In accordance with EIC 114, “Liability Recognition for Costs Incurred on Business Combinations,” included in the purchase price allocation is a liability for involuntary termination benefits for employees of Famous Players in the amount of $8,175. During the three months ended September 30, 2005, $2,756 was paid to certain terminated employees and accretion expense of $44 was charged to general and administrative expenses.

3 Summary of significant accounting policies

Basis of presentation

The Partnership prepares its unaudited interim consolidated financial statements in accordance with Canadian generally accepted accounting principles (“GAAP”). The disclosures contained in these unaudited interim consolidated financial statements do not include all requirements of GAAP for annual financial statements and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2004.

The unaudited interim consolidated financial statements follow the same accounting policies and methods of application as the audited consolidated financial statements for the year ended December 31, 2004, except as disclosed herein.

Restricted cash

Restricted cash in 2004 represents year-to-date distributions accrued and maintained in a segregated Partnership bank account for Class B, Series 2 LP units (the “Support Units”). Distributions on the Support Units were 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. For periods commencing January 2004, distributions on the Support Units were held in a segregated account until the end of the fiscal year when a determination was made regarding the actual cash flows of the new theatres. 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 term of the Support Arrangements was dependent on the performance of the new theatres.

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 released the full amount of the escrowed distributions of $8,297 to the holders of the Class B, Series 2 LP Units of the Partnership on February 25, 2005. Additionally, the Support Arrangements were terminated effective December 31, 2004, and the holders of the Class B, Series 2 LP Units are hereafter fully entitled to receive cash distributions in a manner consistent with the Class B, Series 1 LP Units.

(expressed in thousands of Canadian dollars, except per unit amounts or as otherwise noted)

Variable interest entities

In June 2003, the CICA issued Accounting Guideline 15, “Consolidation of Variable Interest Entities” (“AcG 15”). In November 2004, the CICA amended AcG 15 to make it effective for annual and interim periods beginning on or after November 1, 2004. AcG 15 addresses the consolidation of business enterprises to which the usual condition (ownership of a majority voting interest) of consolidation does not apply. This interpretation focuses on controlling financial interests that may be achieved through arrangements that do not involve voting interests. It concludes that in the absence of clear control through voting interests, a company’s exposure (variable interest) to the economic risks and potential rewards from the variable interest entity’s (“VIE’s”) assets and activities is the best evidence of control. If an enterprise holds a majority of the variable interests of an entity by either absorbing the majority of the VIE’s expected losses or receiving the majority of the VIE’s expected residual returns, or both, it would be considered the primary beneficiary. Upon consolidation, the primary beneficiary is generally required to include assets, liabilities and non-controlling interests at fair value and subsequently account for the variable interest as if it were consolidated based on the majority voting interest.

The Partnership holds a variable interest in GEI through its investment in 100% of the outstanding equity of GEI, which it acquired on November 26, 2003. GEI is considered a VIE as the total investment at risk is not sufficient to permit GEI to finance its activities without additional support. The Partnership is the primary beneficiary of GEI and, therefore, under AcG 15, is required to consolidate GEI. Prior to the application of AcG 15, the Partnership consolidated its interest in GEI; therefore, implementation of AcG 15 has not resulted in a change in the accounting for its investment. Holders of GEI’s liabilities have no recourse to the Partnership in the event of default by GEI on its debt or interest payments. Interest payments on the GEI debt are included in the calculation of the Class B LP Catch-up Payments.

On March 15, 2005, the Partnership created a trust, administered by a third party, to act as trustee for the Partnership’s Long-Term Incentive Plan (“LTIP”). On March 16, 2005, the Partnership funded $423 to the trust for exceeding certain 2004 defined distributable cash threshold amounts, subsequent to which the trustee acquired 27,527 units of the Fund on the open market. One-third of these units vested prior to March 31, 2005 and were distributed to the plan members. The remaining units recorded at their carrying value of $282 are held in the trust to be distributed under the terms of the LTIP. The trust is considered a VIE as the total investment at risk is not sufficient to permit the trust to finance its activities without additional support. The Partnership holds a variable interest in the trust and has determined that it is the primary beneficiary of the trust and, therefore, consolidated the trust. The Partnership has not guaranteed the value of the units held by the trust should the market value of the Fund’s units decrease from the value at which the trust acquired the units. As at September 30, 2005, consolidating the trust resulted in a $267 decrease in assets and a $267 decrease in partners’ capital and had no impact on the net income of the Partnership.

The Partnership has an interest in seven joint ventures through which it holds investments in eleven theatres. The joint ventures were determined not to be VIEs and, accordingly, they continue to be accounted for using proportionate consolidation.

(expressed in thousands of Canadian dollars, except per unit amounts or as otherwise noted)

Disposal of long-term assets and discontinued operations

As per CICA handbook Section 3475, "Disposal of Long-Term Assets and Discontinued Operations," a long-term asset must be classified as an asset held for sale in the period during which all required criteria have been met. A long-term asset to be disposed of by sale must be measured at the lower of its carrying amount or fair market value less selling costs and should not be amortized as long as it is classified as an asset to be disposed of by sale. Assets and liabilities classified as held for sale are recorded on the consolidated balance sheets as assets held for sale and as liabilities related to property held for sale. When a disposal group is a portion of a reporting unit that constitutes a business, goodwill is allocated to the disposal group and included in its carrying amount prior to determining any writedown or gain on sale of the discontinued operations. A long-term asset to be disposed of other than by sale, namely abandonment, before the end of its useful service life estimated previously, is classified as an asset held for sale until its disposal and the amortization estimates must be revised according to the asset's abbreviated useful service life. In addition, this standard specifies that the operating results of a company's component disposed of by sale, or by withdrawal, or being classified as held for sale, be included in the discontinued operations if the operations or cash flows of the component have been, or will be eliminated from the Partnership's current operations pursuant to the disposal, and if the Partnership does not have significant continuing involvement in the operations of the component after the disposal transaction. Each theatre is considered a component of the Partnership as the operations and cash flows can be distinguished from the rest of the enterprise.

Interest on debt that is assumed by the Partnership and interest on debt that is required to be repaid as a result of the disposal transaction is allocated to discontinued operations.

Financial instruments - convertible debentures

As per CICA handbook Section 3860, "Financial Instruments - Disclosure and Presentation," the Partnership classifies the component parts of its convertible debentures as a liability or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and equity instrument, rather than its legal form. The financial liability component is accreted by way of a charge to interest expense.

Leases

Leases are classified as either capital or operating. Leases that transfer substantially all of the risks and benefits of ownership to the Partnership and meet the criteria for capital leases set out in CICA handbook Section 3065, "Leases," are accounted for as an acquisition of an asset and an assumption of an obligation at the inception of the lease, measured at the present value of minimum lease payments. Related building and equipment are amortized on a straight-line basis over the term of the lease. All other leases are accounted for as operating leases wherein rental payments are charged to income as incurred.

Under a business combination, the estimated fair value of lease contract assets is recorded as an intangible asset and amortized on a straight-line basis over the remaining term of the lease into amortization expense. The fair value of lease contract liabilities is recorded as an other liability and amortized against occupancy expense.

(expressed in thousands of Canadian dollars, except per unit amounts or as otherwise noted)

Theatre shutdown and lease buyouts

Theatre lease costs and other closure expenses are recognized at the time a theatre closes. A provision is taken based on estimated expected future payments related to the contractual and ongoing maintenance of the property, adjusted for any negotiated termination of the lease obligation and reduced by estimated sublease rentals. Provisions are classified as current or long term based on management's intention to settle the obligation within one year.

4 Long-term debt

In connection with the Acquisition, the Partnership entered into an amended and restated credit agreement with a syndicate of lenders consisting of the following facilities (collectively, the "Amended Credit Facilities"):

(i) a 364-day $50,000 extendible senior secured revolving credit facility ("Working Capital Facility");

(ii) a four-year $315,000 senior secured non-revolving term credit facility ("Term Facility"); and

(iii) a four-year $60,000 senior secured revolving credit facility ("Development Facility")

The Amended Credit Facilities bear interest at a floating rate based on the Canadian dollar prime rate, or banker's acceptance rate, plus an applicable margin, and amended and restated the Partnership's previous credit facilities under which $141,000 was outstanding as at July 22, 2005. The amendment of the previous credit facilities is considered an extinguishment of debt under EIC Abstract 88, "Debtor's Accounting for a Modification or Exchange of Debt Instruments," and, as a result, deferred financing charges of $1,200 were expensed as a loss on extinguishment of debt upon repayment of the previous credit facilities. Deferred financing fees of $5,250 associated with the Amended Credit Facilities are amortized over the four-year term of the facilities. In addition, upon extinguishment of the previous credit facilities, the Partnership recognized the mark-to-market loss of $2,206 at July 22, 2005 on the previous interest rate swap agreement. This amount was expensed as a loss on extinguishment of debt, and the corresponding liability is amortized against interest expense over the term of the Amended Credit Facilities. Effective July 22, 2005, the Partnership entered into three interest rate swap agreements. In accordance with the swap agreements, the Partnership pays interest at a fixed rate of 3.8% per annum, plus an applicable margin, and receives a floating rate. The 3.8% fixed interest rate reflects the mark-to-market buyout of the previous interest rate swap on the previous credit facilities. The swaps have a term of four years in the aggregate principal amount outstanding of $200,000. The purpose of the interest rate swaps is to act as a cash flow hedge to manage the floating rate payable under the Term Facility.

The Working Capital Facility and the Development Facility are for general corporate purposes, including up to $15,000 to stabilize monthly cash distributions to be paid by the Partnership throughout the year. The Working Capital Facility may be extended for a period not to exceed the maturity date of the Term Facility. The Term Facility has a term of four years and is payable in full at maturity, with no scheduled repayment of principal required prior to maturity. The Term Facility was used to finance the purchase price of the Acquisition. The Development Facility is to be used for the development or acquisition of theatre projects approved by the Trustees of the Fund. The Development Facility has a term of four years and is payable in full at maturity.

(expressed in thousands of Canadian dollars, except per unit amounts or as otherwise noted)

The Partnership obtained a commitment for a senior secured bridge facility in the amount of $300,000 (the "Bridge Facility"). The Bridge Facility had a term of one year and was payable in full at maturity, with no scheduled repayments of principal prior to maturity. The Bridge Facility was to be used to finance the purchase price of the Acquisition and to repay a portion of the existing credit facilities had the Offering not been completed. With the completion of the Offering, the Bridge Facility was not required and fees of $750 associated with the Bridge Facility were expensed as a loss on extinguishment of debt.

5 Statements of cash flows

The following summarizes the changes in operating assets and liabilities:

	Three months ended September 30,		Nine months ended September 30,	
	2005	2004	**2005**	2004
Accounts receivable	**$ 1,417**	$ 2,964	**$ 3,920**	$ (451)
Inventories	**675**	16	**715**	66
Mortgage receivable	**2,600**	-	**2,600**	-
Prepaid expenses and other current assets	**1,028**	961	**(378)**	702
Due from related parties	**(5)**	361	**(8)**	1,772
Deferred charges and intangibles	**-**	(148)	**-**	(333)
Accounts payable and accrued expenses (note 13)	**(14,634)**	(6,703)	**(17,571)**	(11,743)
Due to related parties (note 13)	**4,896**	836	**4,662**	(6,220)
Income taxes payable	**241**	(13)	**25**	(193)
Deferred revenue	**(3,932)**	(1,172)	**(10,623)**	(5,417)
Accrued pension liability	**96**	37	**36**	112
Minority interest	**(758)**		**(758)**	
Other liabilities	**705**	60	**817**	169
Restricted cash	**-**	-	**31**	-
	$ (7,671)	$ (2,801)	**$ (16,532)**	$ (21,536)
Non-cash investing activities				
Capital asset purchases financed through accrued liabilities	**$ 3,212**	$ 1,628	**$ 3,212**	$ 1,628

(expressed in thousands of Canadian dollars, except per unit amounts or as otherwise noted)

6 Discontinued operations

The Partnership entered into a consent agreement (the "Consent Agreement") with the Commissioner of Competition (the "Commissioner") in respect of its acquisition of Famous Players on July 22, 2005. Under the terms of the Consent Agreement, the Partnership agreed to divest a total of 34 specified theatres, held by both the Partnership and Famous Players, within a specified period of time on the terms and conditions set out in the Consent Agreement. Should the required theatres not be divested in the time required, a divestiture trustee appointed under the agreement would be entitled to divest certain theatres on the terms and conditions set out in the Consent Agreement. Until May 27, 2010, the Partnership must provide the Commissioner with prior written notice of any acquisition by it of any non-Partnership theatre or assumption of lease where the remaining term exceeds two years. The Partnership also may not, during this time, reacquire any of the divested theatres without prior approval of the Commissioner. In addition, the Partnership and its joint venture partner intend to sell the remainder of the Alliance Atlantis brand theatres.

As at September 30, 2005, the Partnership had disposed of 27 of the theatres as required under the Consent Agreement and one of the Alliance Atlantis brand theatres for gross proceeds of $85,004. For the three and nine months ended September 30, 2005, a gain in the amount of $26,599 was recognized on the sale of the assets held for sale, after allocating $15,001 of goodwill from the Famous Players acquisition, and is included in income from discontinued operations. For the three and nine months ended September 30, 2005, revenue of $22,836 and $39,980, respectively, and income before income tax in the amount of $26,912 and $28,736, respectively, is included in income from discontinued operations. For the three and nine months ended September 30, 2004, revenue of $10,553 and $29,156, respectively, and income before income tax in the amount of $2,068 and $5,083, respectively, is included in income from discontinued operations.

The carrying amounts of the major classes of assets held for sale and liabilities related to property held for sale are as follows:

		September 30, 2005		December 31, 2004
Cash	**$**	**213**	$	236
Property, equipment and leaseholds		**2,000**		8,949
Other		**235**		245
	$	**2,448**	$	9,430
Accounts payable	**$**	**126**	$	92
Other		**400**		6,717
	$	**526**	$	6,809

Prior period amounts in the consolidated balance sheets and statements of income have been reclassified to conform with CICA handbook Section 3475, "Disposal of Long-Lived Assets and Discontinued Operations."

(expressed in thousands of Canadian dollars, except per unit amounts or as otherwise noted)

7 Obligations under capital leases

As part of the Acquisition, the Partnership has assumed commitments under two non-cancellable capital leases for theatres and equipment for various periods, including renewal options. Future minimum payments, by year and in the aggregate, under non-cancellable capital leases are as follows:

2005	$ 1,043
2006	4,206
2007	4,206
2008	4,206
2009	4,206
Thereafter	48,154
	66,021
Less: Amounts representing interest (average rate of 7.3%)	26,038
	39,983
Less: Current portion	1,357
	$ 38,626

8 Commitments and contingencies

Commitments

As at September 30, 2005, the Partnership has aggregate capital commitments of $39,146 primarily related to the completion of construction of nine theatre properties comprising 88 screens. The Partnership expects to complete construction and to open these theatres during the remainder of 2005 and 2006.

As at September 30, 2005, the Partnership has commitments of approximately $496 related to point-of-sale equipment and rebranding upgrades.

As at September 30, 2005, the Partnership had outstanding letters of credit totalling $1,993 (2004 - $nil).

(expressed in thousands of Canadian dollars, except per unit amounts or as otherwise noted)

Other

Since 2003, three complaints have been filed with the Ontario Human Rights Commission against the Partnership, Alliance Atlantis Cinemas Partnership and Famous Players Limited Partnership (the "Respondents") alleging discrimination against hearing-impaired individuals for not providing sufficient technology to accommodate for their disability. Similar complaints have been filed against other exhibitors and certain film distributors. All complaints have been referred to the Human Rights Tribunal (the "Tribunal") and have been joined together for hearing. The Respondents do not anticipate a judicial resolution of this matter in the next 12 months. As such, no amounts have been provided in the accounts related to this claim. At the present time, the Partnership is unable to assess the magnitude of any potential ruling from the Tribunal. However, were the Tribunal to rule against the Partnership and force the maximum provision of technology to the complainants, the Respondents could face a substantial financial burden in terms of a capital expenditure.

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.

(expressed in thousands of Canadian dollars, except per unit amounts or as otherwise noted)

9 Partners' capital

As part of the Acquisition, the Partnership issued Class A LP Units, Class C LP Units and Class D LP Units (note 2). Partnership units outstanding at September 30 are as follows:

	Three months ended September 30, 2005		**Nine months ended September 30, 2005**		**Three months ended September 30, 2004**		**Nine months ended September 30, 2004**	
	Number of units	**Amount**	**Number of units**	**Amount**	**Number of units**	**Amount**	**Number of units**	**Amount**
Opening Balance								
Class A Partnership units	**19,400,000**	**$ 79,480**	**19,400,000**	**$ 79,480**	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**	20,949,582	16,860	20,949,582	16,860
Class B, Series 2-C Partnership units	**2,086,957**	**-**	**2,086,957**	**-**	2,086,957	-	2,086,957	-
Class B, Series 2-G Partnership units	**5,130,435**	**14,085**	**5,130,435**	**14,085**	5,130,435	14,085	5,130,435	14,085
Formation of Partnership issuance costs	**-**	**(222)**	**-**	**(222)**	-	(102)	-	-
Investment in Fund units (note 3)	**-**	**(282)**	**-**	**-**	-	-	-	-
LTIP compensation obligation (note 3)	**-**	**160**	**-**	**-**	-	-	-	-
	47,566,974	**110,081**	**47,566,974**	**110,203**	47,566,974	110,323	47,566,974	110,425
Transactions during the period								
Class A Partnership units - net of issuance costs	**6,835,000**	**102,247**	**6,835,000**	**102,247**	-	-	-	-
Class C Partnership units	**5,600,000**	**8,546**	**5,600,000**	**8,546**	-	-	-	-
Class D Partnership units	**748,447**	**12,050**	**748,447**	**12,050**	-	-	-	-
Formation of Partnership issuance costs	**-**	**-**	**-**	**-**	-	(120)	-	(222)
Investment in Fund units (note 2)	**-**	**-**	**-**	**(282)**	-	-	-	-
LTIP compensation obligation (note 2)	**-**	**31**	**-**	**191**	-	-	-	-
Outstanding								
Class A Partnership units	**26,235,000**	**181,727**	**26,235,000**	**181,727**	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**	20,949,582	16,860	20,949,582	16,860
Class B, Series 2-C Partnership units	**2,086,957**	**-**	**2,086,957**	**-**	2,086,957	-	2,086,957	-
Class B, Series 2-G Partnership units	**5,130,435**	**14,085**	**5,130,435**	**14,085**	5,130,435	14,085	5,130,435	14,085
Class C Partnership units	**5,600,000**	**8,546**	**5,600,000**	**8,546**	-	-	-	-
Class D Partnership units	**748,447**	**12,050**	**748,447**	**12,050**	-	-	-	-
Partnership issuance costs	**-**	**(222)**	**-**	**(222)**	-	(222)	-	(222)
Investment in Fund units (note 3)	**-**	**(282)**	**-**	**(282)**	-	-	-	-
LTIP compensation obligation (note 3)	**-**	**191**	**-**	**191**	-	-	-	-
Outstanding at September 30, 2005	**60,750,421**	**$ 232,955**	**60,750,421**	**$ 232,955**	47,566,974	$ 110,203	47,566,974	$ 110,203

(expressed in thousands of Canadian dollars, except per unit amounts or as otherwise noted)

As the Fund's only investment is in the Partnership, the Partnership treats its $282 investment in Fund units relating to the LTIP as treasury stock and nets this investment against partners' capital. The LTIP compensation obligation is recorded as a liability until the corresponding LTIP pool of funds is utilized to acquire Fund units, at which point in time it is reclassified as partners' capital as the Partnership is now obligated to deliver a fixed number of Fund units, the value of which will vary with the market value of the Fund units. Subsequent changes in the fair value of the Fund units are not recognized.

10 Impairment of long-lived assets

In accordance with CICA handbook Section 3062, "Impairment of Long-Lived Assets," the Partnership assessed the recoverability of its theatre assets and determined that three theatres had estimated future cash flows that are not expected to be sufficient to recover the carrying amount of the theatre assets. The three theatres incurred a $4,296 impairment charge during the three months ended September 30, 2005 in order to write down the theatre assets to their estimated fair values.

11 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.

12 Seasonal fluctuations

The Partnership's business is seasonal. Consequently, the results of operations and cash flows for the three- and nine-month periods ended September 30, 2005 and 2004 are not necessarily indicative of the results to be expected for the full year, although film studios have expanded the historical summer and holiday release windows and increased the number of heavily marketed films released during traditionally weaker periods.

13 Comparative figures

Comparative amounts for tenant inducements have been reclassified from a financing activity to an operating activity in the consolidated statements of cash flows. Comparative amounts for due to related party balances have been reclassified from accounts payable and accrued expenses to due to related parties in the consolidated balance sheets and statements of cash flows. These changes have been made to conform to the current year's financial statement presentation.

14 Subsequent events

On October 3, 2005, the Partnership changed its name to Cineplex Entertainment Limited Partnership.

On October 21, 2005, the Partnership and its joint venture partner disposed of one Alliance Atlantis brand theatre.

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