Third Quarter 2006

CINEPLEX GALAXY INCOME FUND

Cineplex Entertainment LP owns, operates or has an interest in 132 theatres with 1,309 screens. The company operates theatres with the following six top-tier brands: Cineplex Odeon, Coliseum, Colossus, Famous Players, Galaxy and SilverCity	TABLE OF CONTENTS 1. Management's Discussion and Analysis of Financial Position 33. Cineplex Galaxy Income Fund 43. Cineplex Galaxy Limited Partnership

Letter to Unitholders:

I am very pleased to present our third quarter 2006 results to you. Canadian box office revenues were up 3.1% this quarter versus last year, Cineplex box office revenues were up 8.6% versus the prior year proforma results and same store box office revenues were up 5.5% versus last year driven by our GO BIG campaign and a strong mix of films. These numbers helped us generate a record quarter!

These results reflect the tremendous work that has been done during the past year by our management and staff in bringing the two former companies together. Our distributable income per unit for the quarter established a new record and increased 124% to $0.4628. Our adjusted EBITDA for the third quarter also established a new record of $35.7 million for the quarter from a reported Adjusted EBITDA of $11.0 million for 2005 and a pro forma Adjusted EBITDA of $15.6 million. Our declared distribution per unit for this period was $0.2874.

Total revenues for this quarter also set a new record of $199.0 million compared to $151.9 million reported for 2005 and $179.1 million for the prior year on a pro forma basis.

Our combined average concession revenue per patron amount established a new record of $3.77 compared to $3.40 on a pro forma basis for the prior year. Other income was $16.6 million compared $14.8 million on a pro forma basis for the prior year. As with the first two quarters, other income for the quarter was adversely impacted compared to the pro forma amount as a result of the standardization and net extension of expiry dates on the Partnership's gift certificates and discount ticket programs.

In July we opened Galaxy Cinemas Brockville, a new 6-screen movie complex as well as a new state-of-the-art 12-screen Galaxy Cinema in Saskatoon which opened in September. Later this year, a new 10 screen Cineplex Odeon theatre will open in Oshawa, ON. This will bring our new theatre count for 2006 to five theatres and 52 screens.

We are also very pleased to announce the signing of a partnership agreement with Scotiabank that includes the creation of a new loyalty program, naming rights for five Cineplex Entertainment theatres as well as advertising through Cineplex Media.

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

As of September 30, 2006, Cineplex Galaxy Income Fund indirectly owns an approximate 59.1% 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 management's discussion and analysis (MD&A) contains "forward-looking statements" within the meaning of applicable securities laws, such as statements concerning synergies and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. These statements are not guarantees of future performance and are subject to numerous risks and uncertainties, including those described in our annual information form and in this MD&A. Those risks and uncertainties include adverse factors generally encountered in the film exhibition industry such as poor film product and unauthorized copying; the risks associated with world events, including war, terrorism, international conflicts, natural disasters, extreme weather conditions and infectious diseases, changes in income tax legislation, and general economic conditions. Many of these risks and uncertainties can affect our actual results and could cause our actual results to differ materially from those expressed or implied in any forward-looking statement made by us or on our behalf. All forward-looking statements in this MD&A are qualified by these cautionary statements. These statements are made as of the date of this MD&A and, except as required by applicable law, we undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. Additionally, we undertake no obligation to comment on analyses, expectations or statements made by third parties in respect of Cineplex Galaxy Income Fund or Cineplex Entertainment Limited Partnership, its financial or operating results or its securities. 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, 2006, the Partnership owned, leased or had a joint-venture interest in 1,309 screens in 132 theatres. This total includes 57 screens in 7 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"), COC, 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 ("LP Units") into units of the Fund ("Fund Units"), the Fund issued 210,240 and 3,916,480 Fund Units during the three and nine months ended September 30, 2006, of which 3,250,000 units were

exchanged by Onex Corporation ("Onex") and related parties, in exchange for notes and units from the Trust. As a result, the Fund 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, 2005 and 2006, in a one-for-one exchange of Fund Units for LP Units and the additional investment by the Fund on June 20, 2006 discussed below, as at September 30, 2006 the Fund indirectly owned approximately 59.1% of the Partnership (excluding the Class C Limited Partnership Units ("Class C LP Units")).

During the second quarter of 2006, the Fund issued 2,000,000 Fund Units for gross proceeds of $31.8 million. The Fund used the proceeds to indirectly purchase 2,000,000 Class A Limited Partnership Units ("Class A LP Units") for an additional 1.7% interest in the Partnership. The Partnership and the Fund entered into a reimbursement agreement under which the fees associated with the issuance of the Fund Units in the amount of approximately $2.0 million were reimbursed by the Partnership. The proceeds received by the Partnership on the issuance of the Class A LP Units to the Fund were used to indirectly repay indebtedness under the Partnership's Development Facility (discussed below under "Liquidity and Capital Resources – Credit Facilities") and to pay certain expenses of the Fund.

THE ACQUISITION AND RELATED TRANSACTIONS

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 held 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 Acquisition was completed on July 22, 2005. On closing of the transaction, total consideration paid by the Partnership amounted to $468.8 million in cash plus transaction costs. The Purchase Agreement provided that the net cash flow of the Famous Players business from and including April 29, 2005 to closing of the Acquisition was to be for the account of the Partnership in the form of a purchase price adjustment. The purchase price adjustment was settled during the first quarter of 2006 with no additional amounts paid or payable to or by the Partnership.

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 Cinemas. 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 financial statements.

In order to finance the Acquisition, the Partnership entered into a number of transactions. The Partnership issued indirectly to the Fund 6,835,000 Class A LP Units for gross proceeds of approximately $110 million and 5,600,000 Class C LP Units for gross proceeds of $105 million. Class C LP Units are entitled to a distribution equal to 6.02% per annum payable semi-annually 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 Limited Partnership Units ("Class B LP Units") and Class D Limited Partnership Units ("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 Fund Units at $16.10 per Fund Unit to raise gross proceeds of approximately $110 million and the issuance of $105 million aggregate principal amount of 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 Fund Units at a conversion price of $18.75 per Fund 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. On redemption or at the December 31, 2012 maturity date, the Fund may, at its option, on not more than 60 days' and not less than 30 days' prior notice and subject to regulatory approval, elect to satisfy its obligation to pay the applicable redemption price or the principal amount of the Convertible Debentures by issuing and delivering Fund 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. Subsequent to the Acquisition, the Fund continued to account for the Partnership under the equity method as Onex continued 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 had been classified as a liability and the remainder of $8.5 million had been recorded in equity. Distributions and accretion on the Class C LP Units are included in interest expense.

In connection with the Acquisition, the Partnership entered into an amended and restated credit agreement (collectively the "Amended Credit Facilities") with a syndicate of lenders pursuant to which it has available: (i) a 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 bankers acceptance rates plus an applicable margin, amend and restate the Partnership's previous credit facilities ("Former Credit Facilities") under which $141 million was outstanding as at July 22, 2005. The amendment of the Former Credit Facilities was 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 were expensed to the net earnings of the Partnership upon the amendment of the Former Credit Facilities. Upon extinguishment of the Former Credit Facilities, the Partnership recognized the mark-to-market adjustment on the previous interest rate swap agreement in the amount of $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 Former Credit Facilities which was accrued on acquisition. The swap is for a term of four years and the principal outstanding is $200 million.

On July 22, 2005, the Partnership issued 500,000 Class D LP Units, a new class of LP Units, at an estimated value of $8.1 million to be held in trust for certain of its executives upon closing the Acquisition. This amount was recorded as compensation expense during the year ended December 31, 2005. These LP Units were not exchangeable for Fund Units but were entitled to receive distributions on substantially the same basis as the Class B LP Units. At the May 11, 2006 meeting of unitholders of the Fund, unitholders approved a resolution making the Class D LP Units exchangeable for Fund Units. Following approval of this resolution, the holders of the Class D LP Units became entitled to exchange such LP Units for Fund Units. Subsequent to the approval by the unitholders, 371,000 of such Class D LP Units were exchanged for 371,000 Fund Units.

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, the issuance of Fund Units and Convertible Debentures, and 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. At the May 11, 2006 meeting of unitholders of the Fund, unitholders approved a resolution making the Class D LP Units exchangeable for Fund Units. Following approval of this resolution, Onex became entitled to exchange such LP Units for Fund Units. Subsequent to the approval by the unitholders, all 248,447 of such Class D LP Units were exchanged for 248,447 Fund Units.

Using the proceeds from the above transactions, the Partnership acquired 100% of the limited partnership units of Famous Players and the shares of its general partner, Famous Players Co. for total cash consideration of $468.8 million plus transaction costs. The Acquisition was accounted for by the purchase method and the allocation finalized on March 31, 2006. Based on management's best estimates, the purchase price has been allocated to the assets and liabilities of Famous Players as follows (expressed in millions of dollars):

Assets and liabilities acquired:	
Property, plant and equipment	$318.8
Advertising contracts	23.3
Trademarks and trade names	33.2
Goodwill	191.9
Fair value of leases – assets	17.1
Fair value of leases – liabilities	(22.0)
Net pension liability	(6.6)
Net working capital deficiency	(34.9)
Other liabilities	(8.1)
Capital leases	(39.8)
Net assets	$472.9
Less: Cash from the Acquisition	(20.1)
	$452.8
Consideration given	
Cash paid for Acquisition of Famous Players	$468.8
Transactions costs associated with the Acquisition	4.1
Less: Cash from the Acquisition	(20.1)
	$452.8

In contemplation of completing the Acquisition, on May 27, 2005 the Partnership entered into a Consent Agreement with the Canadian Commissioner of Competition (the "Consent Agreement"). 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. The divestiture of the 34 specified theatres has now been completed. With the fulfillment of all of its obligations under the Consent Agreement, the Partnership has received a certificate of clearance from the Canadian Commissioner of Competition. 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. In addition, the Partnership announced its intention to sell its interest in the five Alliance Atlantis branded theatres.

Under the terms of the Amended Credit Facilities 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.

During the year ended December 31, 2005 the Partnership completed the divestiture of 27 of the specified theatres as required under the Consent Agreement for gross proceeds of $83 million that, 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 two of the Alliance Atlantis branded theatres. The Partnership's share of the proceeds was $3.0 million. During the three months ended March 31, 2006 the Partnership completed the divestiture of the remaining seven of the specified theatres as required under the Consent Agreement, and, as discussed below, entered into a screen advertising agreement for gross proceeds of $1.9 million. However, as less than 15% of the proceeds were received by March 31, 2006, under EIC-79, "Gain Recognition in Arm's-Length and Related Party Transactions when the Consideration Received Includes a Claim on the Assets Sold", the sale was not recognized at that time. During the three months ended June 30, 2006, proceeds in excess of 15% were received, and the resulting gain of $2.1 million has been recognized in income from discontinued operations. As per EIC-142 "Revenue Arrangements with Multiple Deliverables", $1.0 million of the proceeds has been allocated to the screen advertising contract with the remaining $0.9 million allocated to the sale of the seven theatres. The remaining proceeds and closing adjustments, under the terms of the agreement, are payable within six months of the closing of the agreement, subject to a purchase price adjustment. During the three months ended September 30, 2006 the Partnership completed the sale of its interest in the three remaining Alliance Atlantis branded theatres to a related party.

As part of these dispositions, the Partnership has entered into an agreement with each of the respective purchasers to sell screen advertising for the disposed theatres on behalf of the purchaser. As a result of these agreements, the Partnership books and collects screen advertising revenue for the disposed locations and in exchange, for certain of the divestitures, it provides a minimum financial commitment to the purchaser based on attendance levels.

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 box office 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

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

RESULTS OF OPERATIONS

The following table presents summarized financial data for the Partnership for the three and nine months ended September 30, 2006 and September 30, 2005 (expressed in thousands of dollars except per LP Unit and per patron data).

	For the three months ended September 30,		For the nine months ended September 30,	
	2006	**2005**	**2006**	**2005**
Total revenue	$198,976	$151,879	$545,280	$297,113
Cost of operations	163,273	140,883	464,083	263,794
Income from operations	35,703	10,996	81,197	33,319
Amortization	16,340	14,136	47,412	26,713
Loss (gain) on disposal of theatre assets	344	195	(645)	176
Loss on extinguishment of debt	-	4,156	-	4,156
Impairment of long-lived assets	-	4,296	-	4,296
Interest on long-term debt	8,002	6,160	23,442	10,710
Interest on loan from Cineplex Galaxy Trust	3,500	3,500	10,500	10,500
Interest income	(237)	(109)	(497)	(287)
Income taxes	(1,450)	(712)	(1,152)	(538)
Income from discontinued operations	108	26,912	757	28,736
Non-controlling interest	10	614	(379)	614
Net income	$9,302	$5,672	$3,273	$5,715
Net income per LP Unit (ii)	$0.163	$0.106	$0.059	$0.115
Total assets	786,793	768,908	786,793	768,908
Total long term financial liabilities (i)	348,000	339,000	348,000	339,000
Cash distributions declared per LP Unit	$0.2874	$0.2874	$0.8622	$0.8622
Distributable cash per LP Unit	$0.4628	$0.2063	$0.9893	$0.5471
Box office revenue per patron	$8.09	$7.76	$7.93	$7.59
Concession revenue per patron	$3.77	$3.40	$3.74	$3.29
Film cost as a percentage of box office revenue	52.0%	50.4%	51.7%	51.5%
Attendance	15,380	12,471	43,056	25,130

(i) Excludes the Class C LP Units – liability component, capital lease obligations, accrued pension liability, other liabilities, and liabilities related to property held for sale.
(ii) Computed using weighted average number of LP Units outstanding for the period.

Management calculates distributable income per LP 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,	
	2006	2005	2006	2005
Cash used in operating activities	$30,415	$327	$21,405	$5,471
Less: Changes in operating assets and liabilities (i)	5,027	8,922	41,972	16,654
Tenant inducements (ii)	(10,604)	(269)	(14,485)	(2,165)
Capital lease payments	(345)	(210)	(1,011)	(210)
Dividends paid by subsidiary to non-controlling interest	-	(1,372)	(196)	(1,372)
Maintenance capital expenditures (iii)	(1,905)	(590)	(3,811)	(2,524)
Add: Interest on loan from Cineplex Galaxy Trust (iv)	3,500	3,500	10,500	10,500
Non cash components in operating assets and liabilities (v)	333	283	965	283
Expenses funded through integration and restructuring reserve (vi)	27	784	103	784
Distributable cash	$26,448	$11,375	$55,442	$27,421
Number of LP Units outstanding (vii)	57,150,421	55,150,421	56,044,194	50,122,568
Distributable cash per LP Unit	$0.4628	$0.2063	$0.9893	$0.5471

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

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

(iii) Maintenance capital expenditures are funded out of distributable income. Board approved projects are funded out of the Partnership's Development Facility (discussed below under "Liquidity and Capital Resources – Credit Facilities"). Certain integration related capital expenditures are funded out of reserve funds established on November 26, 2003 and July 22, 2005 (see discussion under "Future Obligations"). Maintenance capital expenditures for the nine-months ended September 30, 2006 are not representative of the expected run-rate as the Partnership has focused on integrating the two circuits and evaluating capital requirements.

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

(v) Reflects non-cash expenses including accretion on Class C LP Units, amortization of deferred gain on a RioCan Real Estate Investment Trust ("RioCan") sale-leaseback transaction and amortization of swap on extinguished debt (see discussion under "The Acquisition and Related Transactions").

(vi) Amounts financed by the $25 million reserve set up upon completion of the Acquisition not considered a use of distributable cash flow. See discussion under "Future Obligations" below.

(vii) LP Units outstanding reflect the issuance on June 20, 2006 of 2,000,000 Class A LP Units.

Alternatively, the calculation of distributable income using the income statement as a reference point would be as follows (expressed in thousands of dollars):

	For the three months ended September 30,		For the nine months ended September 30,	
	2006	2005	2006	2005
Income before undernoted	$ 35,703	$ 10,996	$ 81,197	$ 33,319
Adjust for:				
Interest on long-term debt	(8,002)	(6,160)	(23,442)	(10,710)
Interest income	237	109	497	287
Income taxes - current portion	(7)	(854)	284	(1,028)
Maintenance capital expenditures (i)	(1,905)	(590)	(3,811)	(2,524)
Dividends paid by subsidiary to non-controlling interest	-	(1,372)	(196)	(1,372)
Principal component of capital lease obligations	(345)	(210)	(1,011)	(210)
Expenses funded through integration and restructuring reserve (iii)	27	784	103	784
Income (loss) before undernoted from discontinued operations	137	392	(460)	2,853
Non-cash items:				
Amortization of tenant inducements, rent averaging liabilities and fair value lease contract assets	(389)	(519)	(662)	(3,246)
Amortization of debt issuance costs	659	466	1,978	935
Issuance of Class D LP Units included in general and administrative expenses	-	8,050	-	8,050
Other non-cash items (ii)	333	283	965	283
Distributable Income	$ 26,448	$ 11,375	$ 55,442	$ 27,421

(i) Maintenance capital expenditures are funded out of distributable income. Board approved projects are funded out of the Partnership's Development Facility (discussed below under "Liquidity and Capital Resources – Credit Facilities"). Certain integration related capital expenditures are funded out of reserve funds established on November 26, 2003 and July 22, 2005. (see discussion under "Future Obligations"). Maintenance capital expenditures for the nine-months ended September 30, 2006 are not representative of the expected run-rate as the Partnership has focused on integrating the two circuits and evaluating capital requirements.

(ii) Includes accretion on Class C LP Units, amortization of deferred gain on RioCan sale-leaseback transaction and amortization of swap on extinguished debt.

(iii) Amounts financed by the $25 million reserve set up upon completion of the Acquisition not considered a use of distributable cash flow. See discussion under "Liquidity and Capital Resources – Future Obligations" below.

Three and Nine months ended September 30, 2006 Compared to the Three and Nine months ended September 30, 2005 for the Partnership

Total revenues. Total revenues for the three months ended September 30, 2006 increased $47.1 million to $199.0 million. Of this increase, $33.8 million related to the Acquisition and an increase of $13.3 million related to the Cineplex Odeon and Galaxy Entertainment brand theatres (the "Cineplex Galaxy circuit"). Total revenues for the nine months ended September 30, 2006 increased $248.2 million to $545.3 million, with $220.2 million of the increase related to the Acquisition and $28.0 million related to the Cineplex Galaxy circuit. A discussion of the factors affecting the changes in box office, concession and other revenues for this period in comparison to the same period in 2005 is provided below.

Box office revenues. Box office revenues for the three months ended September 30, 2006 increased $27.7 million to $124.4 million. Of this increase, $21.3 million related to the Acquisition and an increase of $6.4 million, or 12.7%, to the Cineplex Galaxy circuit. Canadian industry box office increased approximately 3.1% for the third quarter of 2006 due to stronger film product during the period as compared to the same period in the prior year. The Cineplex Galaxy increase in box office revenues was due to increased same store attendance levels ($1.6 million), increased average box office revenues per patron ($1.3 million) and an increase due to new theatres ($3.6 million) offset by the impact of disposed theatres ($0.1 million). The Famous Players increase in box office revenues was due to increased attendance levels ($18.3 million) and increased average box office revenues per patron ($3.0 million), partially driven by an extra 21 days of Famous Players business included in the three months ended September 30, 2006. The average box office revenue per patron of the Partnership increased from $7.76 to $8.09. The average box office revenue per patron of Famous Players was $8.51 and for Cineplex Galaxy was $7.64. For the Cineplex Galaxy circuit, the average box office revenue per patron increased $0.21 or 2.8% from $7.43 for the three months ended September 30, 2005 to $7.64 for the three months ended September 30, 2006. For Famous Players, the average box office revenue per patron increased $0.37 or 4.5% from $8.14 for the three months ended September 30, 2005 to $8.51 for the three months ended September 30, 2006. The increase in average box office revenue per patron was a result of a strong slate of films that catered to adult audiences in 2006 including *Pirates of the Caribbean: Dead Man's Chest* and *Superman Returns*.

Box office revenues for the nine months ended September 30, 2006 increased $150.8 million to $341.4 million. Of this increase, $138.7 million related to the Acquisition and an increase of $12.1 million, or 8.4%, to the Cineplex Galaxy circuit. Canadian industry box office increased approximately 2.0% for the first nine months of 2006 primarily due to stronger film product during the period. The Cineplex Galaxy increase in box office revenues was due to an increase due to new theatres ($5.8 million), increased attendance levels ($5.7 million) and an increase in average box office revenues per patron ($0.9 million), offset by the impact of disposed theatres ($0.3 million). The average box office revenue per patron of the Partnership increased $0.34 or 4.5% from $7.59 for the nine months ended September 30, 2005 to $7.93 for the nine months ended September 30, 2006. The average box office revenue per patron of Famous Players was $8.35 and for Cineplex Galaxy was $7.49. For the Cineplex Galaxy circuit, the average box office revenue per patron increased $0.07 or 0.9% from $7.42 for the nine months ended September 30, 2006 to $7.49 for the nine months ended September 30, 2006.

Concession revenues. Concession revenues for the three months ended September 30, 2006 increased $15.6 million to $58.0 million. Of this increase, $10.0 million related to the Acquisition and $5.6 million, or 25.6%, to the Cineplex Galaxy circuit. The Cineplex Galaxy increase in concession revenues was due to an improvement in average concession revenues per patron ($3.0 million), increased same-store attendance ($0.7 million) and additional revenues from operation of new theatres ($1.9 million). The Famous Players increase in concession revenues was due to increased attendance levels ($8.3 million) and increased average concession revenues per patron ($1.7 million), partially driven by an extra 21 days of Famous Players business included in the three months ended September 30, 2006. The average concession revenue

per patron of the Partnership increased from $3.40 to $3.77. The average concession revenue per patron of Famous Players was $3.89 and for Cineplex Galaxy was $3.64. The Cineplex Galaxy average concession revenue per patron increased $0.46 or 14.5% from $3.18 for the three months ended September 30, 2005 to $3.64 for the three months ended September 30, 2006. The Famous Players average concession revenue per patron increased $0.22 or 6.0% from $3.67 for the three months ended September 30, 2005 to $3.89 for the three months ended September 30, 2006. In November 2005, the Partnership implemented a number of pricing and size changes for its core concession products and has undertaken a rationalization of branded concession offerings, which has contributed to the increases.

Concession revenues for the nine months ended September 30, 2006 increased $78.1 million to $160.8 million. Of this increase, $65.2 million related to the Acquisition and $12.9 million, or 20.8%, to the Cineplex Galaxy circuit. The Cineplex Galaxy increase in concession revenues was due to an improvement in average concession revenues per patron ($7.5 million), increased same-store attendance ($2.5 million), and additional revenues from operation of new theatres ($3.0 million), offset by the impact of disposed theatres ($0.1 million). The average concession revenue per patron of the Partnership increased from $3.29 to $3.74. The average concession revenue per patron of Famous Players was $3.89 and for Cineplex Galaxy was $3.58. The Cineplex Galaxy average concession revenue per patron increased $0.40 or 12.6% from $3.18 for the nine months ended September 30, 2005 to $3.58 for the nine months ended September 30, 2006. In November 2005, the Partnership implemented a number of pricing and size changes for its core concession products and has undertaken the rationalization of concession offerings, which has contributed to the increases.

Other revenues. Other revenues for the three months ended September 30, 2006 increased $3.9 million to $16.6 million. Of this increase $2.6 million related to the Acquisition and $1.3 million related to the Cineplex Galaxy circuit. On November 1, 2005, the Partnership announced the formation of the Cineplex Media division, which was formed through the combination of Cineplex Entertainment's CineMarketing Sales division and Famous Players Media Inc ("FP Media"). Coincident with this formation, the Partnership acquired 100% of the media business for the combined circuit and added the Famous Players branded magazine assets.

The Partnership launched its digital advertising network in its 21 Toronto extended market area theatres on April 1, 2005. As at September 30, 2005, 81 theatres and 919 screens are running the digital pre-show. At the Acquisition date, the Partnership had established an integration reserve, which was to be used in part, to fund the integration from a distributed DVD system to a networked pre-show system (see "Liquidity and Capital Resources – Future Obligations").

Other revenues for the nine months ended September 30, 2006 increased $19.3 million, or 81.3%, to $43.0 million mainly as a result of higher advertising revenues. Of this increase $16.4 million related to the Acquisition and $2.9 million related to the Cineplex Galaxy circuit. 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 2005 results.

Film cost. Film cost for the three months ended September 30, 2006 increased $15.9 million to $64.7 million. Of this increase $11.8 million related to the Acquisition and $4.1 million related to the Cineplex Galaxy circuit. As a percentage of box office revenue, film cost increased to 52.0% for the three months ended September 30, 2006 from 50.4% for the three months ended September 30, 2005.

Film cost for the nine months ended September 30, 2006 increased $78.3 million to $176.4 million. Of this increase $72.6 million related to the Acquisition and $5.7 million related to the Cineplex Galaxy circuit. As a percentage of box office revenue, film cost increased to 51.7% for the nine months ended September 30, 2006 from 51.4% for the nine months ended September 30, 2005.

Cost of concessions. Cost of concessions for the three months ended September 30, 2006 increased $2.9 million to $11.3 million. Of this increase, $2.1 million related to the Acquisition and a $0.8 million increase related to the Cineplex Galaxy circuit. The Cineplex Galaxy increase in cost of concessions was due to additional costs from the operation of new theatres ($0.4 million), increased same-store attendance ($0.1 million) and increased purchase incidence ($0.3 million). The Famous Players increase in cost of concessions was due to increased attendance levels ($1.5 million) and increased purchase incidence ($0.6 million), partially driven by an extra 21 days of Famous Players business included in the three months ended September 30, 2006. As a percentage of concession revenues, cost of concessions decreased from 19.8% for the three months ended September 30, 2005, to 19.5% for the three months ended September 30, 2006.

Cost of concessions for the nine months ended September 30, 2006 increased $16.0 million to $32.8 million. Of this increase, $13.7 million related to the Acquisition and a $2.3 million increase related to the Cineplex Galaxy circuit. The Cineplex Galaxy increase in cost of concessions was due to the costs associated with new theatres that were opened ($0.6 million), increased same-store attendance ($0.5 million) and increased purchase incidence ($1.2 million). As a percentage of concession revenues, cost of concessions increased from 20.2% for the nine months ended September 30, 2005, to 20.4% for the nine months ended September 30, 2006. During the second quarter of 2006, the Partnership completed the integration of a number of concession suppliers resulting in the write off of obsolete inventory. These costs are included in concession costs for the nine months ended September 30, 2006.

Occupancy expense. Occupancy expense for the three months ended September 30, 2006 increased $4.3 million to $36.4 million. Of this increase, $3.4 million related to the Acquisition and $0.9 million related to the Cineplex Galaxy circuit. For the Cineplex Galaxy circuit, the incremental costs associated with new theatres that were opened ($1.1 million) was offset by a decrease due primarily to successful property tax appeals ($0.1 million) and the impact of disposed theatres ($0.1 million).

Occupancy expense for the nine months ended September 30, 2006 increased $53.3 million to $109.3 million. Of this increase, $52.3 million related to the Acquisition and $1.0 million related to the Cineplex Galaxy circuit. For the Cineplex Galaxy circuit, the incremental costs associated with new theatres that were opened ($1.9 million) was offset by a decrease due primarily to successful property tax appeals ($0.6 million) and the impact of disposed theatres ($0.3 million).

Other theatre operating expenses. Other theatre operating expenses for the three months ended September 30, 2006 increased $7.6 million to $42.6 million. Of this increase, $4.1 million related to the Acquisition and $3.5 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 ($1.2 million), and the impact of additional business activities, increased volume related variable costs and inflationary increases ($2.2 million).

Other theatre operating expenses for the nine months ended September 30, 2006 increased $54.1 million to $120.8 million. Of this increase, $45.7 million related to the Acquisition and $8.4 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 ($2.1 million), and the impact of additional business activities, increased volume related variable costs and inflationary increases ($6.5 million), offset by the impact of disposed theatres ($0.2 million).

General and administrative costs. General and administrative costs decreased from $16.5 million for the three months ended September 30, 2005 to $8.3 million for the three months ended September 30, 2006. Included in the general and administrative costs for the quarter ended September 30, 2005 are one-time charges of $8.1 million relating to compensation expense related to the issuance of 500,000 LP units to management on the Acquisition during the three months ended September 30, 2005, and $0.7 million in

severance costs to former Cineplex Galaxy employees. General and administrative costs for the third quarter of 2005 only include costs associated with the Acquisition incurred subsequent to July 22, 2005.

General and administrative costs decreased from $25.9 million for the nine months ended September 30, 2005 to $24.8 million for the nine months ended September 30, 2006. Included in the general and administrative costs for the nine months ended September 30, 2005 are the following one-time charges: $8.1 million relating to compensation expense related to the issuance of 500,000 LP units to management on the Acquisition during the three months ended September 30, 2005, $0.7 million in severance costs to former Cineplex Galaxy employees, $1.5 million in professional fees related to the Acquisition, $0.5 million in consulting fees related to preparation for Bill 198 compliance and $0.2 million in recruitment and resource costs related to the establishment of an information technology department in the Canadian head office. General and administrative costs for the nine months ended September 30, 2005 only include costs associated with the Acquisition incurred subsequent to July 22, 2005.

Management fee. Effective November 26, 2003, the Partnership entered into a services agreement with COC (subsequently assumed by Loews Cinema Theatres) under which management information systems (MIS support) support was provided to the Partnership at a cost of US$0.5 million per annum. The Partnership terminated the services agreement during the second 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 nine 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, 2006 of $35.7 million as compared to income before undernoted of $11.0 million for the three months ended September 30, 2005. 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, 2006 of $81.2 million as compared to income before undernoted of $33.3 million for the nine months ended September 30, 2005. This change was due to the aggregate effect of the factors described above.

Amortization. For the three months ended September 30, 2006 amortization costs increased $2.2 million to $16.3 million. Of this increase, $0.9 million related to the Acquisition and $1.3 million related to the Cineplex Galaxy circuit. The increase in the Cineplex Galaxy circuit was due primarily to the impact of new theatres.

For the nine months ended September 30, 2006 amortization costs increased $20.7 million to $47.4 million. Of this increase, $18.3 million related to the Acquisition and $2.4 million related to the Cineplex Galaxy circuit. The increase in the Cineplex Galaxy circuit was due primarily to the impact of new theatres.

Loss (gain) on disposal of theatre assets. The loss (gain) on disposal of theatre assets represents the loss or gain on theatre assets that were sold or otherwise disposed of. For the three months ended September 30, 2006 the Partnership recorded a loss of $0.3 million as compared to a loss of $0.2 million for the three months ended September 30, 2005. The loss primarily relates to disposals of assets for two closed theatres.

For the nine months ended September 30, 2006 the Partnership recorded a gain of $0.6 million as compared to a loss of $0.2 million for the nine months ended September 30, 2005. The gain primarily relates to a reversal of previously accrued theatre shut-down costs as a result of early lease terminations for two closed theatres, offset by losses on asset disposals for two closed theatres.

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.

Impairment of long-lived assets. Property equipment and leaseholds are evaluated for impairment according to CICA handbook section 3063, "Impairment of Long-Lived Assets". During the three months ended September 30, 2005, management 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 and capital lease obligations. Interest on long-term debt for the three months ended September 30, 2006 increased to $8.0 million from $6.2 million for the three months ended September 30, 2005 primarily as a result of the additional borrowings in 2005 and 2006 to finance the Acquisition and new theatre development. Interest expense is comprised of the amortization of $0.7 million of deferred financing fees, interest on capital leases of $0.7 million, interest of $1.6 million and accretion expense of $0.6 million on the Class C LP Units and $4.4 million of interest on long-term debt. For the three months ended September 30, 2005 interest expense includes $0.5 million for the amortization of deferred financing fees, interest on capital leases of $0.5 million, interest of $1.2 million and accretion expense of $0.5 million on the Class C LP Units and $3.5 million of interest on long-term debt.

Interest on long-term debt for the nine months ended September 30, 2006 increased to $23.4 million from $10.7 million for the nine months ended September 30, 2005 primarily as a result of the additional borrowings in 2005 and 2006 to finance the Acquisition and new theatre development. Interest expense is comprised of the amortization of $2.0 million of deferred financing fees, interest on capital leases of $2.0 million, interest of $4.8 million and accretion expense of $1.9 million on the Class C LP Units and $12.7 million of interest on long-term debt. For the nine months ended September 30, 2005 interest expense includes $1.0 million for the amortization of deferred financing fees, interest on capital leases of $0.5 million, interest of $1.2 million and accretion expense of $0.5 million on the Class C LP Units, and $7.5 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 $0.2 million for the three months ended September 30, 2006 and $0.1 million for the three months ended September 30, 2005. Interest income was $0.5 million for the nine months ended September 30, 2006 and $0.3 million for the nine months ended September 30, 2005.

Income tax expense. For the three months ended September 30, 2006, a subsidiary of the Partnership recorded a future income tax recovery of $1.5 million (2005 – $1.6 million, offset by a current income tax expense of $0.9 million). For the nine months ended September 30, 2006, subsidiaries of the Partnership recorded a current income tax recovery of $0.3 million (2005 – expense of $1.0 million) and a future tax income tax recovery of $0.9 million (2005 – $1.6 million).

Income from discontinued operations. Income from discontinued operations for the three months ended September 30, 2006 amounted to income of $0.1 million, arising from the operations of the Alliance Atlantis branded theatres that were still held, in part, by the Partnership until September 1, 2006. This compares to income from discontinued operations for the three months ended September 30, 2005 of $26.9 million of which $26.6 million related to 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 from the 34 theatres to be divested under the Consent Agreement and the Alliance Atlantis branded theatres.

Income from discontinued operations for the nine months ended September 30, 2006 amounted to income of $0.8 million, of which $1.2 million related to a gain associated with the disposal of theatre

properties and a loss of $0.4 million arising from the operations of the Alliance Atlantis branded theatres sold during the third quarter of 2006, and the seven Quebec theatres sold at the end of the first quarter of 2006. This compares to income from discontinued operations for the nine months ended September 30, 2005 of $28.7 million of which $26.6 million related to the gain on sale of 27 locations to Empire Theatre Limited and one Alliance Atlantis branded cinema and $2.1 million related to the income from operations from the 34 theatres to be divested under the Consent Agreement and the Alliance Atlantis branded theatres.

Non-controlling interests. Non-controlling interests for the three and nine months ended September 30, 2006 of $10 thousand and $0.4 million, respectively (2005 – $0.6 million and $0.6 million, respectively) represents the minority interest of the costs associated with the winding up of the activities of FP Media Inc. held by the non-controlling partner.

Net income. Net income for the three months ended September 30, 2006 increased to $9.3 million from $5.7 million for the three months ended September 30, 2005, primarily due to the net effect of all of the other factors described above.

Net income for the nine months ended September 30, 2006 decreased to $3.3 million from $5.7 million for the nine months ended September 30, 2005, 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 non-controlling interest, loss on extinguishment of debt, income from discontinued operations, foreign exchange gain, non-recurring management fee, impairment of long-lived assets, and 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,	
	2006	2005	2006	2005
Net income	$9,302	$5,672	$3,273	$5,715
Amortization	16,340	14,136	47,412	26,713
Interest on long-term debt	8,002	6,160	23,442	10,710
Interest on loan from Cineplex Galaxy Trust	3,500	3,500	10,500	10,500
Interest income	(237)	(109)	(497)	(287)
Income tax expense	(1,450)	(712)	(1,152)	(538)
EBITDA	$35,457	$28,647	$82,978	$52,813
Non-controlling interest	10	614	(379)	614
Loss on extinguishment of debt	-	4,156	-	4,156
Impairment of long-lived assets	-	4,296	-	4,296
Income from discontinued operations	(108)	(26,912)	(757)	(28,736)
Loss (gain) on disposal of theatre assets	344	195	(645)	176
Adjusted EBITDA	$35,703	$10,996	$81,197	$33,319

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 working capital requirements during the slower quarters, the Partnership has available for its use a $50.0 million Working Capital Facility (see "Liquidity and Capital Resources – Credit Facilities" discussed below), of which $19.9 million was drawn at September 30, 2006.

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

	2006			2005				2004
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Total revenue	$198,976	$183,642	$162,662	$193,186	$151,879	$75,197	$70,037	$76,846
Cost of operations	163,273	156,430	144,380	157,735	140,883	63,688	59,223	60,693
Income from operations	35,703	27,212	18,282	35,451	10,996	11,509	10,814	16,153
Amortization	16,340	15,834	15,238	16,235	14,136	6,364	6,213	6,227
Loss (gain) on disposal of theatre assets	344	(1,173)	184	(54)	195	(19)	-	3
Loss on extinguishment of debt	-	-	-	-	4,156	-	-	-
Impairment of long-lived assets	-	-	-	-	4,296	-	-	-
Interest on long-term debt	8,002	8,026	7,414	7,691	6,160	2,344	2,206	2,307
Interest on loan from Cineplex Galaxy Trust	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
Interest income	(237)	(156)	(104)	(91)	(109)	(60)	(118)	(118)
Income taxes	(1,450)	243	55	(925)	(712)	119	55	(1,320)
Income (loss) from discontinued operations	108	1,607	(958)	(620)	26,912	981	843	1,274
Non-controlling interest	10	(352)	(37)	1,214	614	-	-	-
Net income (loss)	$9,302	$2,897	($8,926)	$7,261	$5,672	$242	($199)	$6,828
Net income (loss) per LP Unit	$0.163	$0.052	($0.162)	$0.132	$0.106	$0.005	($0.004)	$0.144
Cash flows from operations	30,415	15,109	(24,119)	57,141	327	6,710	(1,566)	26,387
Cash flows from investing activities	(21,757)	(21,706)	(15,634)	(10,083)	(286,671)	(23,622)	4,258	(9,957)
Cash flows from financing activities	(6,778)	7,458	14,914	(26,697)	302,255	2,292	(17,212)	(3,607)
Net change in cash	$1,880	$861	($24,839)	$20,361	$15,911	($14,620)	($14,520)	$12,823
Box office revenue per patron	$8.09	$7.87	$7.81	$7.97	$7.76	$7.50	$7.34	$7.40
Concession revenue per patron	$3.77	$3.72	$3.72	$3.68	$3.40	$3.26	$3.11	$3.10
Attendance	15,380	14,481	13,195	14,815	12,471	6,420	6,239	6,729

(i) Comparative amounts 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) Computed using weighted average number of LP Units outstanding for the year.

Distributable Cash

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

	2006 Q3	Q2	Q1	**2005** Q4	Q3	Q2	Q1	**2004** Q4
Cash used in operating activities	30,415	15,109	(24,119)	57,141	327	6,710	(1,566)	26,387
Less: Changes in operating assets and liabilities (i)	5,027	4,487	32,458	(27,864)	8,922	(384)	8,116	(13,024)
Tenant inducements (ii)	(10,604)	(2,907)	(974)	(5,497)	(269)	(605)	(1,291)	(2,730)
Capital lease payments	(345)	(339)	(327)	(322)	(210)	-	-	-
Dividends paid by subsidiary to non-controlling interest	-	(196)	-	(490)	(1,372)	-	-	-
Maintenance capital expenditures (iii)	(1,905)	(1,057)	(849)	(1,482)	(590)	(1,304)	(630)	(1,347)
Add: interest on loan from Cineplex Galaxy Trust (iv)	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
Non cash components in operating assets and liabilities (v)	333	312	320	319	283	-	-	-
Expenses funded through integration and restructuring reserve (vi)	27	32	44	65	784	-	-	-
Distributable cash	26,448	18,941	10,053	25,370	11,375	7,917	8,129	12,786
Number of units outstanding (vii)	57,150,421	55,809,762	55,150,421	55,150,421	55,150,421	47,566,974	47,566,974	47,566,974
Distributable cash per LP Unit	$0.4628	$0.3394	$0.1823	$0.4600	$0.2063	$0.1664	$0.1709	$0.2688

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

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

(iii) Maintenance capital expenditures are funded out of distributable income. Board approved projects are funded out of the Partnership's Development Facility (discussed below under "Liquidity and Capital Resources – Credit Facilities"). Certain integration related capital expenditures are funded out of reserve funds established on November 26, 2003 and July 22, 2005 (see discussion under "Liquidity and Capital Resources – Future Obligations" below). Maintenance capital expenditures for the nine months ended September 30, 2006 are not representative of the expected run-rate as the Partnership has focused on integrating the two circuits and evaluating capital requirements.

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

(v) 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.

(vi) Amounts financed by the $25 million reserve set up upon completion of the Acquisition not considered a use of distributable cash flow. See discussion under "Liquidity and Capital Resources – Future Obligations" below.

(vii) LP Units outstanding reflect the issuance on July 22, 2005 of 6,835,000 Class A LP Units and 748,447 Class D LP Units to the fund the Acquisition and the June 20, 2006 issuance of 2,000,000 Class A LP Units.

Balance Sheet

Assets

Assets decreased $12.0 million to $786.8 million as at September 30, 2006 due mainly to a decrease in cash of $21.5 million, goodwill of $5.2 million and intangible assets of $4.1 million; partially offset by an increase in property, equipment and leaseholds of $16.4 million and accounts receivable of $3.2 million.

Accounts receivable: Accounts receivable increased $3.2 million to $25.0 million as at September 30, 2006 from $21.8 million as at December 31, 2005. This increase was due to increased media advertising business volumes.

Prepaid expenses and other current assets: Prepaid expenses and other current assets increased $4.4 million to $8.2 million as at September 30, 2006 from $3.8 million as at December 31, 2005. This increase is due mainly to the prepayment of certain annual occupancy charges over the first nine months of 2006.

Fixed assets. The increase in fixed assets from $435.0 million as at December 31, 2005 to $451.4 million as at September 30, 2006 is due to capital expenditures primarily on new theatre builds and the digital pre-show network ($53.1 million) and to valuation adjustments ($2.3 million) offset by amortization expenses.

Goodwill: The decrease in goodwill by $5.2 million from $206.2 million as at December 31, 2005 to $201.0 million as at September 30, 2006 is due to final adjustments arising on the valuation of the Acquisition.

Liabilities

Liabilities decreased $6.6 million from $750.3 million as at December 31, 2005 to $743.7 million as at September 30, 2006 primarily due to a decrease in accounts payable and accrued expenses of $31.1 million, and a seasonal decrease in deferred revenue of $14.6 million, partially offset by an increase in borrowings of $24.4 million and an increase in other liabilities of $18.6 million as a result of tenant inducements earned.

Accounts payable and accrued expenses. Accounts payable and accrued expenses decreased from $88.2 million as at December 31, 2005 to $57.1 million as at September 30, 2006. The decrease is due to lower business volumes immediately prior to the quarter end in the third quarter as compared to the fourth quarter.

Deferred revenue. Deferred revenue decreased by $14.6 million to $26.4 million as at September 30, 2006 from $41.0 million as at December 31, 2005. This was due primarily to the redemption of gift certificates that were sold during the holiday season in December 2005.

Current and long-term debt: Current debt increased $19.9 million as at September 30, 2006. The Partnership borrowed $61.4 million and repaid $41.5 million on the Working Capital Facility to fund general corporate requirements. Long term debt increased from $243.5 million as at December 31, 2005 to $248.0 million as at September 30, 2006 as a result of amounts borrowed to fund construction and approved projects net of repayments from proceeds of the equity issuance during the second quarter of 2006, (see "Overview").

Outstanding Fund Units

The Fund had the following Fund Units issued for the three and nine months ended September 30 (expressed in thousands of dollars, except for Fund Unit amounts):

	Three Months Ended,				Nine Months Ended,			
	September 2006		September 2005		September 2006		September 2005	
	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	33,545,232	$420,390	20,857,843	$213,345	27,838,992	$334,287	20,023,689	$201,477
Issuance of Fund Units	-	-	6,835,000	110,044	2,000,000	31,800	6,835,000	110,044
Issuance of Fund Units under Exchange Agreement	210,240	2,845	146,149	2,352	3,916,480	57,148	980,303	14,220
	33,755,472	$423,235	27,838,992	$325,741	33,755,472	$423,235	27,838,992	$325,741

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

	Number of Units	
	2006	**2005**
Class B Series 1	19,038,502	20,321,237
Class B Series 2-C	2,086,957	2,086,957
Class B Series 2-G	2,140,490	4,980,435
Class D	129,000	-
	23,394,949	27,388,629

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 provided by operating activities was $30.4 million for the three months ended September 30, 2006 as compared to $0.3 million for the three months ended September 30, 2005. The primary reason for the difference was a $30.4 million increase in income before the non-cash gain on disposal of theatre assets.

Cash provided by operating activities was $21.4 million for the nine months ended September 30, 2006 as compared to a source of $5.5 million for the nine months ended September 30, 2005. The primary reason for the difference was a $22.1 million increase in income before the non-cash gain on disposal of theatre assets.

Investing Activities

Cash used by investing activities for the three months ended September 30, 2006 of $21.8 million primarily related to capital expenditures ($21.3 million).

Cash used by investing activities for the three months ended September 30, 2005 of $286.7 million primarily related to the Acquisition ($431.2 million), partially offset by cash received on the sale of theatre assets ($152.0 million).

Cash used by investing activities for the nine months ended September 30, 2006 of $59.1 million primarily related to capital expenditures of $57.3 million.

Cash used by investing activities for the nine months ended September 30, 2005 of $306.0 million was primarily related to the Acquisition ($448.7 million) and capital expenditures ($17.0 million), partially offset by cash received on the sale of theatre assets ($152.0 million).

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". In addition, at the Acquisition date, the Partnership identified certain capital expenditures required for the integration of the two entities (principally point-of-sale systems and the standardization of the digital advertising network) which were pre-funded from the proceeds of the financing transactions on the Acquisition.

Financing Activities

Cash used by financing activities for the three months ended September 30, 2006 of $6.8 million was due primarily to distribution payments ($12.9 million), partially offset by the net borrowings under the Amended Credit Facilities ($6.5 million). For the three months ended September 30, 2005 cash provided by financing activities ($302.3 million) was due primarily to issuance of Partnership units ($207.2 million) and net borrowings ($116.0 million), partially offset by distribution payments ($11.6 million).

Cash provided by financing activities for the nine months ended September 30, 2006 of $15.6 million was due to the issuance of Partnership units ($30.2 million) and net borrowings under the Amended Credit Facilities ($24.4 million), partially offset by distribution payments ($37.6 million). For the nine months ended September 30, 2005 cash provided by financing activities ($287.3 million) was due primarily to the issuance of Partnership units ($207.2 million) and net borrowings ($131.5 million), partially offset by distribution payments ($39.6 million). Distribution payments included payment of distributions of $8.3 million on the Support Units (discussed in "Liquidity and Capital Resources – Distributions" below).

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 the Amended 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, 2006, the Partnership's distributable cash flow per LP Unit was $0.4628 and $0.2063 for the three months ended September 30, 2005. The declared distribution per LP Unit and interest on the Galaxy Note (see "Credit Facilities" below) per LP Unit for each of these periods totaled $0.2874. For the period from January 1, 2006 to September 30, 2006, the Partnership's distributable cash flow per unit was $0.9893 and $0.5471 for the same period in 2005. The declared distribution per LP Unit and interest on the Galaxy Note per LP Unit for each of 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.

The Partnership made distributions on the Class C LP Units during the nine months ended September 30, 2006 of $3.2 million. Distributions on the Class C LP Units are made twice a year, on the business day before June 30 and December 31. Distributions on Class C LP Units are included in interest expense and are deducted by the Partnership in computing its net income and distributable income.

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 2005 was dependent on the annual cash flows from seven prescribed new theatres (the "Support Theatres"). During the year ended December 31, 2004 the performance targets were met for the seven 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, 2006 and September 30, 2005, the Fund declared distributions totaling $0.2874 per Fund Unit. The Fund is entirely dependent on distributions from the Partnership and interest payments from GEI to make its own distributions. For the nine months ended September 30, 2006 and September 30, 2005, the Fund declared distributions totaling $0.8622 per Fund Unit.

The after-tax return to unitholders of the Fund subject to Canadian federal income tax from an investment in Fund 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 Fund 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, 2005, 67.3% of the Fund's distributions ($0.77332 per Fund Unit) represented taxable income, 16.6% of the Fund's distributions ($0.19097 per Fund Unit) represented a capital gain with the balance, 16.1% ($0.18531 per Fund Unit) representing a return of capital to the unitholder. For the year ended December 31, 2004, 78.2% of the Fund's distributions ($0.89852 per Fund Unit) represented taxable income to the unitholder, and 21.8% of the Fund's distributions ($0.25108 per Fund Unit) represented a nontaxable return of capital.

On October 31, 2006 the Department of Finance (Canada) introduced modifications to the income tax rules that will result in the taxation of distributions made by the Fund beginning in the year 2011. Management is reviewing the proposed changes.

Credit Facilities

In connection with the Acquisition, the Partnership entered into, the Amended Credit Facilities that are comprised of the following:

(i) a 364-day $50 million extendible senior secured revolving credit facility ("Working Capital Facility");
(ii) a four-year $315 million senior secured non-revolving term credit facility ("Term Facility"); and
(iii) a four-year $60 million 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 Former Credit Facilities under which $141 million was outstanding as at July 22, 2005.

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 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 months ended September 30, 2006 the Partnership borrowed $31.0 million under the Amended Credit Facilities and repaid $24.5 million. During the nine months ended September 30, 2006 the Partnership borrowed $82.0 million under the Amended Credit Facilities and repaid $57.6 million. As at September 30, 2006 the Partnership had $19.9 million outstanding under the Working Capital Facility, $235.0 million outstanding under the Term Facility, and $13.0 million outstanding under the Development Facility.

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 Amended 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 Former 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 gain of $1.8 million (loss of $1.4 million as at September 30, 2005) 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 Note is subordinated to the bank credit facilities discussed above.

Future Obligations

As of September 30, 2006, the Partnership has aggregate capital commitments of $18.6 million related to the completion of construction of five theatre properties to comprise 47 screens. The Partnership expects to complete construction and to open these theatres throughout 2006, 2007 and 2008. In addition, the Partnership has other capital commitments of $2.6 million relating to other ongoing initiatives.

A portion of the proceeds arising from the issuance of Fund Units for the Acquisition, the net borrowings under the Amended Credit Facility and the proceeds of the RioCan sale-leaseback transaction are available for general corporate purposes, including a $25.0 million reserve for integration and restructuring costs associated with the Acquisition. Of this reserve, severance charges in the amount of $0.7 million were paid during the three months ended September 30, 2006 ($7.7 million from the inception of the reserve in July 2005).

As a result of the Acquisition, the Partnership increased its commitment with respect to the digital network. With the inclusion of the Famous Players theatres, the total additional cost of the digital network is in the range of $7.0 million to $8.0 million to be spent by the end of 2007. Of this amount, $7.0 million is included in the $25.0 million reserve that was established for integration and restructuring costs associated with the Acquisition. As at September 30, 2006, this reserve has been fully utilized.

Included in the $25.0 million reserve is $4.0 million for the upgrade of the Famous Player's point-of-sale system. As of September 30, 2006, this reserve has been fully utilized.

As of September 30, 2006 the Partnership had outstanding letters of credit totaling $1.3 million (2005 – nil).

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.

During the three months ended March 31, 2006, the Partnership entered into an agreement with a third party to divest seven theatres, six of which were leased properties, as required by the Commissioner of Competition, and to provide advertising services until December 31, 2012. The Partnership is guarantor under the leases for the remainder of the lease term in the event that the purchaser of the theatres does not fulfill its obligations under the respective lease. The Partnership has also guaranteed certain advertising revenues based on attendance levels. During the three months ended September 30, 2006, the Partnership entered into an agreement with a related party to divest its 49% share in its three remaining Alliance Atlantis branded theatres. The Partnership is guarantor for its 49% share of the leases for the remainder of the lease term in the event that the purchaser of the Partnership's share in the theatres does not fulfill its obligations under the respective lease. During 2005, the Partnership and Famous Players sold 29 theatres to third parties, of which 24 were leased properties. The Partnership and Famous Players are guarantors under the leases for the remainder of the lease term in the event that the purchaser of each theatre does not fulfill its obligations under the respective lease. No amounts have been provided in the consolidated financial

statements for these guarantees as the occurrence of the guarantees being exercised is not determinable and the total future minimum payments guaranteed by the Partnership cannot be estimated. Should the purchasers of the theatres fail to fulfill their lease commitment obligations, the Partnership could face a substantial financial burden.

RELATED PARTY TRANSACTIONS

The Fund has entered into transactions with parties to which it is related. During the three months ended September 30, 2006 and 2005, distributions in the amount of $6.2 million and $3.8 million respectively were received from the Partnership. During the nine months ended September 30, 2006 and 2005, distributions in the amount of $15.2 million and $8.5 million respectively were received from the Partnership. The Fund had distributions receivable from the Partnership at September 30, 2006 and 2005 in the amount of $2.1 million and $1.5 million, respectively.

The Fund recorded interest income from the Partnership with respect to the Class C LP Units during the three months and nine months ended September 30, 2006 in the amount of $1.6 million and $4.8 million, respectively (2005 – $1.2 million and $1.2 million, respectively), with $3.2 million received in the nine months ended September 30, 2006 (2005 – nil).

The Fund received interest income in the amount of $3.5 million and $10.5 million for the three and nine months ended September 30, 2006 respectively with respect to the Galaxy Note (2005 - $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 charged the Partnership $0.1 million and $0.4 million for the three and nine months ended September 30, 2006 for rent for the Partnership's head office (2005 - $0.1 million and $0.4 million). The Partnership charged COC $23 thousand and $35 thousand, respectively, for certain theatre management services during the three and nine months ended September 30, 2006 (2005 - $0.1 million and $0.1 million).

For the three months ended September 30, 2006 and 2005 the Partnership incurred expenses for film rental totaling $7.2 million and $12.5 million, respectively, to Alliance Atlantis Communications Inc. ("Alliance") and its subsidiary Motion Picture Distribution LP ("Motion Picture"). For the nine months ended September 30, 2006 and 2005 the Partnership incurred expenses for film rental totaling $23.2 million and $19.7 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.

During the three months ended September 30, 2006, the Partnership disposed of its 49% share in the three remaining Alliance Atlantis branded theatres to a related party for a nominal amount.

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, 2006, the Partnership earned revenue in the amount of $0.2 million with respect to these services (2005 - $0.3 million). During the nine months ended September 30, 2006, the Partnership earned revenue in the amount of $0.6 million with respect to these services (2005 - $0.6 million).

The underwriters' fees and other offering costs were reimbursed to the Fund pursuant to a reimbursement agreement with the Partnership. In addition to the costs associated with the 2,000,000 Class

A LP Unit issuance, pursuant to a contractual obligation, the Partnership also assumed the transaction costs relating to Onex' secondary offering of Fund Units.

A former trustee of the Fund and director of Cineplex Entertainment Corporation received fees for consulting services in the amount of nil and $0.1 million for the three months and nine months ended September 30, 2006 (2005 - $0.1 million and $0.1 million).

A former trustee of the Fund is the President and Chief Executive Officer of RioCan. The trustee resigned from the Board of the Fund effective August 1, 2005. For the period of July 1, 2005 to July 31, 2005, the Partnership incurred rental costs for theatres under lease commitments with Riocan in the amount of $1.7 million. For the period of January 1, 2005 to July 31, 2005 the Partnership incurred rental costs for theatres under lease commitments with Riocan of $7.3 million.

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,	
	2006	2005	2006	2005
Fund	$6,157	$3,818	$15,235	$8,453
Onex and its subsidiaries	6,505	7,367	21,383	20,400
Alliance	-	-	-	1,041
Other related parties	109	196	505	841

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

	As at September 30,	
	2006	2005
Fund	$2,067	$1,500
Onex and its subsidiaries	2,168	2,480
Other related parties	24	72

During the three and nine months ended September 30, 2006 Ellis Jacob, Chief Executive Officer of the Partnership, exchanged 125,000 and 250,000, respectively, Class B and D LP Units for 125,000 and 250,000, respectively, Fund Units under the provisions of the Exchange Agreement. The exchanges have been recorded at fair market value as required by EIC-151, "Exchangeable Securities Issued by Subsidiaries of Income Trusts".

During the nine months ended September 30, 2006 certain executives of the Partnership exchanged 246,000 Class D LP Units for 246,000 Fund Units under the provisions of the Exchange Agreement. The exchange has been recorded at fair market value as required by EIC-151, "Exchangeable Securities Issued by Subsidiaries of Income Trusts".

During the nine months ended September 30, 2006 Onex exchanged 3,250,000 Class B and Class D LP Units for 3,250,000 Fund Units under the provisions of the Exchange Agreement. The exchange has been recorded at fair market value as required by EIC-151, "Exchangeable Securities Issued by Subsidiaries of Income Trusts".

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, 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.

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.

Goodwill

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

Intangible Assets

Intangible assets represent the value of trademarks, trade names and advertising contracts of GEI and Famous Players as well as the fair value of Famous Players leases that are recorded as assets. As the useful life of the trademarks and trade names is indefinite, no amortization is recorded. The advertising contracts have limited lives and are amortized over their useful lives, estimated to be between five to nine years. The fair value of lease contract assets is amortized on a straight-line basis over the remaining term of the lease into amortization expense.

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 subsidiaries, GEI and FP Media, 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.

On October 31, 2006 the Department of Finance (Canada) introduced modifications to the income tax rules that will result in the taxation of distributions made by the Fund beginning in the year 2011. Management is reviewing the proposed changes.

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.

Use of Estimates

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

Recent Accounting Developments

In April 2005, the CICA issued new Handbook Sections: Section 1530, "Comprehensive Income"; Section 3251, "Equity"; and Section 3855, "Financial Instruments – Recognition and Measurement", for annual and interim periods beginning on or after October 1, 2006. Section 1530 establishes standards for reporting comprehensive income. These standards require that an enterprise present comprehensive income and its components in a separate financial statement that is displayed with the same prominence as other primary financial statements. Section 3251 establishes standards for the presentation of equity and changes in equity during the reporting period in addition to the requirements of Section 1530. Section 3855 establishes standards for the recognition and measurement of all financial instruments, provides a characteristics-based definition of a derivative financial instrument, provides criteria to be used to determine when a financial instrument should be recognized, and provides criteria to be used when a financial instrument is to be extinguished. Sections 1530, 3251 and 3855 all apply to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2006. Management is assessing the impact of these Handbook Sections on the Fund and the Partnership.

In October 2005, the CICA issued EIC-157, "Implicit Variable Interest Under AcG-15" which was effective for the first interim period or first annual fiscal period beginning subsequent to the date of the issuance of EIC-157, therefore, it was effective for the first quarter of 2006 for the Partnership. The standard addresses implicit variable interests which are an implied financial interest in an entity that changes with the changes in the fair value of that entity's net assets exclusive of variable interests. The

Partnership adopted the standard in the first quarter of 2006. Management has reviewed the requirements under EIC-157 and determined that it has is no impact on the financial statements of the Partnership.

In December 2005, the CICA issued EIC-159, "Conditional Asset Retirement Obligations" which is effective for all interim and annual reporting periods ending after March 31, 2006 with early adoption encouraged. The standard addresses the issue of a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. The Partnership adopted this standard in the second quarter of 2006. Management has assessed the requirements under this standard and determined there is no significant impact on the financial statements of the Partnership.

In April 2006, the CICA issued EIC-161, "Discontinued Operations" which was to be applied prospectively and should be applied to all disposal transactions initiated after the date of issue (April 12, 2006). The standard addresses the allocation of interest expense and general corporate overhead expenses to Discontinued Operations, as well as the use of the Discontinued Operations classification to an entity where the remaining operations are insignificant. Subsequent to April 12, 2006, the Partnership has not identified any assets as held for sale. Management has assessed the requirements under this standard and determined that it has no impact on the financial statements of the Partnership.

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 labor costs; (ix) financial liability arising from lawsuits; and (x) the ability to generate additional ancillary revenue. See "Risk Factors" detailed in the Fund's Annual Information Form dated March 22, 2006 for a more detailed description of risks facing the Partnership.

On October 31, 2006 the Department of Finance (Canada) announced the "Tax Fairness Plan" whereby income tax rules applicable to publicly traded trusts and partnerships will be significantly modified. In particular, certain income of (and distributions made by) these entities will be taxed in a manner similar to income earned by (and distributions made by) a corporation. These proposals will be effective for the 2007 taxation year with respect to trusts which commence public trading after October 31, 2006, but the application of the rules will be delayed to the 2011 taxation year with respect to trusts which were publicly traded prior to November 1, 2006. The Fund is considering this announcement and the possible impact of the proposed rules to the Fund.

COC, Cineplex Odeon (Quebec) Inc. ("COQ"), and former investors in GEI (collectively the "Investors") hold in aggregate approximately 40.9% of the outstanding LP Units of the Partnership (excluding the Class C LP Units) which, pursuant to the Exchange Agreement, can be exchanged at any time, subject to certain conditions, thereby causing the issuance of additional Fund Units. Restrictions on the ability of COC and COQ to exchange certain of their LP Units expire on November 26, 2006. If COC and COQ sell substantial amounts of Fund Units in the public market, the market price of the Fund Units could fall. The perception among the public that these sales may occur could also produce such effect.

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 gain of $1.8 million (loss of $1.4 million as at September 30, 2005) that is not recognized on the balance sheet or statement of income in accordance with GAAP.

Interest Rate Risk

As of September 30, 2006, the Partnership had long-term debt and amounts due to the Trust (including current maturities) of $367.9 million. Approximately $267.9 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 $0.3 million 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 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. At the present time, the Partnership is unable to assess the magnitude of any potential judgment from the Tribunal. If the Tribunal were to rule against the Partnership and force the maximum provision of technology to the complainants, the Partnership could face a material financial burden.

The Partnership, or a subsidiary of 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, past employees 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.

In addition to the above, the Partnership would be adversely impacted by a national or global flu pandemic and could be impacted by any future changes to existing income trust income tax regulations.

OUTLOOK

Management believes there are opportunities to grow revenue and distributable cash per LP Unit as a result of 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 continue to enhance demand from advertisers, enabling them to reach a broader audience of up to 80 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 LP Unit. Other 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 has provided the opportunity to apply each company's core expertise to the other's operations. These improvements are expected to continue to lead to higher revenues and improved operating margins on a combined basis than would be achievable if the entities had continued to operate separately.

The Partnership believes that its Amended 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.

On October 31, 2006 the Department of Finance (Canada) introduced modifications to the income tax rules that will result in the taxation of distributions made by the Fund beginning in the year 2011. Management is reviewing the proposed changes.

November 1, 2006

Cineplex Galaxy Income Fund

Consolidated Balance Sheets

(expressed in thousands of Canadian dollars)

	September 30, 2006 (Unaudited)	December 31, 2005
Assets		
Current assets		
Cash and cash equivalents	**$ 1,247**	$ 1,209
Interest receivable from Cineplex Entertainment Limited Partnership	**1,611**	-
Distributions receivable from Cineplex Entertainment Limited Partnership	**2,067**	1,500
	4,925	2,709
Due from Galaxy Entertainment Inc.	**100,000**	100,000
Investment in Cineplex Entertainment Limited Partnership (notes 1 and 2)	**276,334**	206,763
Investment in Cineplex Entertainment Limited Partnership Class C Units (note 2)	**105,000**	105,000
Investment in Cineplex Entertainment Corporation	**2**	2
	$ 486,261	$ 414,474
Liabilities		
Current liabilities		
Distributions payable (note 5)	**$ 3,234**	$ 2,667
Interest payable on convertible debentures	**1,605**	-
Due to Cineplex Entertainment Limited Partnership	**4**	4
	4,843	2,671
Convertible debentures - liability component	**97,826**	96,964
	102,669	99,635
Unitholders' Equity	**383,592**	314,839
	$ 486,261	$ 414,474

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

Approved by the Board of Trustees

"Howard Beck"
Trustee

"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, 2006	Three months ended September 30, 2005	Nine months ended September 30, 2006	Nine months ended September 30, 2005
Share of income (loss) of Cineplex Entertainment Limited Partnership (note 4)	**$ 3,435**	$ 1,085	**$ (3,575)**	$ (3,349)
Interest income	**5,121**	4,734	**15,299**	11,742
Interest and accretion expense on convertible debentures	**(1,898)**	(1,449)	**(5,616)**	(1,449)
Net earnings for the period	**$ 6,658**	$ 4,370	**$ 6,108**	$ 6,944
Basic earnings per unit	**$ 0.20**	$ 0.17	**$ 0.20**	$ 0.31
Weighted average number of units outstanding used in computing earnings per unit	**33,655,482**	26,185,103	**30,127,445**	22,313,793
Diluted earnings per unit	**$ 0.18**	$ 0.16	**$ 0.13**	$ 0.31
Weighted average number of units outstanding used in computing diluted earnings per unit (note 7)	**57,150,451**	57,163,550	**55,548,612**	50,800,985

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, 2006

	Unitholders' capital (note 6)	Accumulated earnings	Accumulated distributions	Total
Balance - January 1, 2006	$ 334,287	$ 32,988	$ (52,436)	$ 314,839
Issuance of units (note 2)	31,800	-	-	31,800
Issuance of units under Exchange Agreement (note 6)	57,148	-	-	57,148
Distributions declared (note 5)	-	-	(26,303)	(26,303)
Net earnings for the period	-	6,108	-	6,108
Balance - September 30, 2006	$ 423,235	$ 39,096	(78,739)	$ 383,592

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	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

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, 2006	Three months ended September 30, 2005	Nine months ended September 30, 2006	Nine months ended September 30, 2005
Cash provided by (used in)				
Operating activities				
Net earnings for the period	**$ 6,658**	$ 4,370	**$ 6,108**	$ 6,944
Item not affecting cash and cash equivalents				
Share of loss (income) from equity investee (note 4)	**(3,435)**	(1,085)	**3,575**	3,349
Accretion of convertible debentures	**293**	223	**862**	223
Distributions received from Cineplex Entertainment Limited Partnership	**6,157**	3,818	**15,235**	8,452
Change in operating assets and liabilities	**(6)**	(3)	**(6)**	(3)
	9,667	7,323	**25,774**	18,965
Investing activities				
Investment in Cineplex Entertainment Limited Partnership (note 2)	**-**	(110,044)	**(31,800)**	(110,044)
Investment in Class C LP Units	**-**	(105,000)	**-**	(105,000)
	-	(215,044)	**(31,800)**	(215,044)
Financing activities				
Issuance of units (note 6)	**-**	110,044	**31,800**	110,044
Issuance of convertible debentures	**-**	105,000	**-**	105,000
Distributions paid	**(9,658)**	(7,318)	**(25,736)**	(18,952)
Due to Cineplex Entertainment Limited Partnership	**-**	(2)	**-**	(2)
	(9,658)	207,724	**6,064**	196,090
Increase in cash and cash equivalents during the period	**9**	3	**38**	11
Cash and cash equivalents - Beginning of period	**1,238**	1,187	**1,209**	1,179
Cash and cash equivalents - End of period	**$ 1,247**	**$** 1,190	**$ 1,247**	$ 1,190
Supplemental information				
Cash received for interest	**$ 3,510**	**$** 3,503	**$ 10,527**	$ 10,511
Class C LP distributions received and classified as interest income	**-**	**-**	**3,161**	**-**
Cash paid for interest	**-**	**-**	**3,150**	**-**

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 was formed on November 26, 2003 to acquire substantially all of the theatre business assets and liabilities of Cineplex Odeon Corporation ("COC") and all of the shares of Galaxy Entertainment Inc. ("GEI"). The Partnership's investors comprise the Trust, the General Partner, COC, Cineplex Odeon (Quebec) Inc., Onex Corporation and other former investors of GEI.

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"). 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 provided that the net cash flow of the Famous Players business from and including April 29, 2005 to closing of the Acquisition was to be for the account of the Partnership in the form of a purchase price adjustment. During the first quarter of 2006, it was determined that a purchase price adjustment was not required.

On October 3, 2005, the Partnership changed its name from Cineplex Galaxy Limited Partnership to Cineplex Entertainment Limited Partnership and the General Partner changed its name from Cineplex Galaxy General Partner Corporation to Cineplex Entertainment Corporation.

As at September 30, 2006, the Fund indirectly owned 59.1% of the Partnership.

2 Business acquisitions

As a result of the July 22, 2005 Acquisition, the Fund indirectly acquired an additional 6.4% interest in each of 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 $9,425 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 $119,469. This excess has been allocated to: property, equipment and leaseholds in the amount of $5,204; advertising contracts in the amount of $624; fair value of leases in the amount of $294; and trademarks in the amount of $2,164. The remaining $111,183 represents equity method goodwill. Amounts allocated to property, equipment and leaseholds will be amortized over a period of approximately 9.5 years, amounts allocated to advertising contracts will be amortized over approximately 5.0 years and amounts allocated to the fair value of leases will be amortized over 3 to 11 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 was revised from December 31, 2005

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

preliminary estimates, was finalized on March 31, 2006, and was based on the estimated fair value of the assets acquired and liabilities assumed at the date of the Acquisition.

On June 20, 2006, the Fund issued 2,000,000 Fund units for gross proceeds of $31,800. The Fund used the proceeds to indirectly purchase 2,000,000 Class A LP Units for an additional 1.7% interest in the Partnership. In addition, on June 20, 2006, certain investors exchanged 3,250,000 Class B and Class D LP Units for an equivalent number of units in the Fund (note 6). As a result of these two transactions, the Fund increased its ownership in the Partnership by approximately 7.4%.

As a result of the June 20, 2006 additional investment in the Partnership, the Fund's 7.4% increased share of the net book value of the underlying identifiable net liabilities, excluding goodwill, of the Partnership was $11,434 at the date of the step acquisition. The cost of the Fund's investment of $78,925 in the Partnership exceeded the underlying carrying value of the net liabilities of the Partnership in the amount of $90,359. This excess has been allocated to: property, equipment and leaseholds in the amount of $5,403; advertising contracts in the amount of $1,063; fair value of leases in the amount of $305; and trademarks in the amount of $2,513. The remaining $81,075 represents equity method goodwill. Amounts allocated to property, equipment and leaseholds will be amortized over a period of approximately 8.0 years, amounts allocated to advertising contracts will be amortized over approximately 3.9 years and amounts allocated to the fair value of leases will be amortized over 2 to 21 years. As the useful lives of trademarks and goodwill are indefinite, no amortization is recorded on these assets.

Equity method goodwill as at September 30, 2006 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		111,183
Equity method goodwill as per June 20, 2006 investment in the Partnership		81,075
	$	323,505

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, 2006, the Fund's investment in the Partnership consists of the following:

Equity investment		
28,235,000 Class A LP Units	$	235,842
4,901,025 Class B LP Units		69,612
619,447 Class D LP Units		9,235
Accumulated share of Partnership income		503
Less: Accumulated distributions received or receivable		(38,858)
		276,334
5,600,000 Class C LP Units		105,000
Total investment	$	381,334

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

3 Summary of significant accounting policies

Basis of presentation

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, 2005.

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 three and nine months ended September 30, 2006.

Results for the three and nine months ended September 30, 2006 are not necessarily indicative of results expected for the full fiscal year or any other future period due to the 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, 2005.

(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, 2006	Three months ended September 30, 2005	**Nine months ended September 30, 2006**	Nine months ended September 30, 2005
Consolidated Partnership net income	**$ 9,302**	$ 5,672	**$ 3,273**	$ 5,715
Adjustment for Catch-up Payment from Partnership to Class B LP and Class D LP unitholders	**(2,444)**	(3,665)	**(9,110)**	(13,039)
Remaining income (loss) to be distributed pro rata to Class A LP, Class B LP and Class D LP unitholders	**$ 6,858**	$ 2,007	**$ (5,837)**	$ (7,324)
Fund's proportionate % share (a)	**$ 4,011**	$ 1,450	**$ (2,285)**	$ (2,491)
Adjustments for excess of purchase price over net assets acquired	**(576)**	(365)	**(1,290)**	(858)
Share of Partnership income (loss)	**$ 3,435**	$ 1,085	**$ (3,575)**	$ (3,349)

a) During the period, the Fund's indirect ownership of the Partnership, held through the Trust, increased from approximately 50.5% as at December 31, 2005 to approximately 59.1% as at September 30, 2006 (50.5% as at September 30, 2005) (note 6). The Fund's proportionate share of the income (loss) available to be distributed to the Class A LP, Class B LP and Class D LP unitholders has been adjusted to reflect its increased ownership.

The Fund's share of the Partnership's income from discontinued operations for the three and nine months ended September 30, 2006 is $64 and $378 (2005 - $13,561 and $14,343).

(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:

	2006		2005	
Record date	**Amount**	**Amount per unit**	**Amount**	**Amount per unit**
January	$ 2,675.1	$ 0.0958	$ 1,918.7	$ 0.0958
February	2,675.1	0.0958	1,933.1	0.0958
March	2,675.1	0.0958	1,933.1	0.0958
April	2,675.1	0.0958	1,933.1	0.0958
May	2,710.7	0.0958	1,998.2	0.0958
June	3,213.6	0.0958	1,998.2	0.0958
July	3,221.8	0.0958	2,653.0	0.0958
August	3,221.8	0.0958	2,667.0	0.0958
September	3,233.8	0.0958	2,667.0	0.0958

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

6 Unitholders' capital

During the nine months ended September 30, 2006, the Fund issued 2,000,000 Fund units for proceeds of $31,800. The Partnership and the Fund entered into a reimbursement agreement under which the fees associated with the issuance of the Fund units in the amount of $1,984 were reimbursed by the Partnership.

During the three-month and nine-month periods ended September 30, 2006, under the provisions of the Exchange Agreement, certain investors, including related parties, exchanged 23,283 and 1,282,735 Class B, Series 1 Partnership units for 23,283 and 1,282,735 Fund units, respectively. During the three-month and nine-month periods ended September 30, 2006, under the provisions of the Exchange Agreement, certain investors, including related parties, exchanged 61,957 and 2,014,298 Class B, Series 2-G Partnership units for 61,957 and 2,014,298 Fund units, respectively. During the three-month and nine-month periods ended September 30, 2006, under the provisions of the Exchange Agreement, certain investors, including related parties, exchanged 125,000 and 619,447 Class D Partnership units for 125,000 and 619,447 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 $49 and $2,914 have been charged to unitholders' equity, resulting in a net increase in unitholders' capital of $2,845 and $57,148, respectively.

During the three-month and nine-month periods 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 Series 2-G 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

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

$(59) and $53 have been charged to unitholders' equity, resulting in a net increase in unitholders' capital of $2,352 and $14,220, respectively.

There are 33,755,472 Fund units issued at September 30, 2006 (2005 - 27,838,992) for $423,235 (2005 - $334,287).

	Three months ended				Nine months ended			
	September 30, 2006		September 30, 2005		September 30, 2006		September 30, 2005	
	Number of Fund units	**Amount**	**Number of Fund units**	**Amount**	**Number of Fund units**	**Amount**	**Number of Fund units**	**Amount**
Units - Beginning of period	**33,545,232**	**$ 420,390**	20,857,843	$ 213,345	**27,838,992**	**$ 334,287**	20,023,689	$ 201,477
Issuance of units (note 2)	**-**	**-**	6,835,000	110,044	**2,000,000**	**31,800**	6,835,000	110,044
Issuance of convertible debentures - equity component	**-**	**-**	-	8,546	**-**	**-**	-	8,546
Issuance of Fund units under Exchange Agreement	**210,240**	**2,845**	146,149	2,352	**3,916,480**	**57,148**	980,303	14,220
Units - End of period	**33,755,472**	**$ 423,235**	27,838,992	$ 334,287	**33,755,472**	**$ 423,235**	27,838,992	$ 334,287

7 Diluted earnings per unit

The weighted average number of units outstanding used in computing the diluted earnings per unit includes the dilutive effect of the full exercise of the Class B LP unitholders' right to exchange Class B LP Units for Fund units. Convertible debentures in the amount of $105,000 were excluded from the computation of diluted earnings per unit as their effect would have been anti-dilutive. If converted at the beginning of the period, the weighted average number of units outstanding used in computing diluted earnings per unit would be 5,600,000 units higher.

Cineplex Entertainment Limited Partnership

Consolidated Balance Sheets

(expressed in thousands of Canadian dollars)

	September 30, 2006 (Unaudited)	December 31, 2005
Assets		
Current assets		
Cash and cash equivalents	**$ 23,697**	$ 45,190
Accounts receivable	**24,964**	21,752
Inventories	**3,689**	4,162
Prepaid expenses and other current assets	**8,236**	3,803
Due from related parties	**20**	32
Assets held for sale - current (note 6)	**-**	789
	60,606	75,728
Property, equipment and leaseholds	**451,424**	435,002
Goodwill (note 2)	**201,009**	206,218
Intangible assets	**59,326**	63,464
Future income taxes	**6,407**	5,539
Deferred charges	**8,021**	9,319
Assets held for sale - long-term (note 6)	**-**	3,481
	$ 786,793	$ 798,751

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

Approved by the Board of Directors

"Ellis Jacob"
Director

"Anthony Munk"
Director

Cineplex Entertainment Limited Partnership

Consolidated Balance Sheets ...*continued*

(expressed in thousands of Canadian dollars)

	September 30, 2006 (Unaudited)	December 31, 2005
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	**$ 57,098**	$ 88,243
Distributions payable	**4,308**	4,117
Due to related parties	**3,246**	2,442
Income taxes payable	**332**	667
Deferred revenue	**26,402**	41,003
Bank indebtedness (note 4)	**19,909**	35
Current portion of capital lease obligations	**1,443**	1,383
Liabilities related to property held for sale - current (note 6)	**-**	843
	112,738	138,733
Long-term debt (note 4)	**248,000**	243,500
Capital lease obligations - long-term	**36,795**	38,078
Due to Cineplex Galaxy Trust	**100,000**	100,000
Accrued pension liability	**4,106**	5,229
Other liabilities	**142,594**	123,950
Class C Limited Partnership Units - liability component	**99,418**	97,555
Liabilities related to property held for sale - long-term (note 6)	**-**	3,235
	743,651	750,280
Non-controlling interest	**455**	1,030
Partners' Equity	**42,687**	47,441
	$ 786,793	$ 798,751

Commitments and contingencies (note 7)

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

Cineplex Entertainment Limited Partnership

Consolidated Statements of Income
(Unaudited)

(expressed in thousands of Canadian dollars)

	Three months ended September 30, 2006	Three months ended September 30, 2005	Nine months ended September 30, 2006	Nine months ended September 30, 2005
Revenue				
Box office	$ **124,382**	$ 96,713	$ **341,409**	$ 190,632
Concessions	**57,966**	42,440	**160,847**	82,745
Other	**16,628**	12,726	**43,024**	23,736
	198,976	151,879	**545,280**	297,113
Expenses				
Film cost	**64,676**	48,760	**176,367**	98,080
Cost of concessions	**11,282**	8,409	**32,771**	16,750
Occupancy	**36,391**	32,117	**109,295**	56,029
Other theatre operating expenses	**42,628**	35,073	**120,835**	66,781
General and administrative	**8,296**	16,524	**24,815**	25,930
Management fee	**-**	-	**-**	224
	163,273	140,883	**464,083**	263,794
Income before undernoted	**35,703**	10,996	**81,197**	33,319
Amortization	**16,340**	14,136	**47,412**	26,713
Loss (gain) on disposal of theatre assets	**344**	195	**(645)**	176
Loss on extinguishment of debt	**-**	4,156	**-**	4,156
Impairment of long-lived assets (note 9)	**-**	4,296	**-**	4,296
Interest on long-term debt and capital lease obligations	**8,002**	6,160	**23,442**	10,710
Interest on loan from Cineplex Galaxy Trust	**3,500**	3,500	**10,500**	10,500
Interest income	**(237)**	(109)	**(497)**	(287)
Income (loss) before income taxes, non-controlling interest and discontinued operations	**7,754**	(21,338)	**985**	(22,945)
Provision for (recovery of) income taxes				
Current	**7**	854	**(284)**	1,028
Future	**(1,457)**	(1,566)	**(868)**	(1,566)
	(1,450)	(712)	**(1,152)**	(538)
Income (loss) before non-controlling interest and discontinued operations	**9,204**	(20,626)	**2,137**	(22,407)
Non-controlling interest	**10**	614	**(379)**	614
Income (loss) from continuing operations	**9,194**	(21,240)	**2,516**	(23,021)
Income from discontinued operations (note 6)	**108**	26,912	**757**	28,736
Net income for the period	$ **9,302**	$ 5,672	$ **3,273**	$ 5,715

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

Cineplex Entertainment Limited Partnership

Consolidated Statements of Partners' Equity
(Unaudited)

(expressed in thousands of Canadian dollars)

For the nine months ended September 30, 2006

	Partners' capital (note 8)	Deficit	Accumulated earnings	Accumulated distributions	Total
Balance - January 1, 2006	$ 232,975	$ (147,795)	$ 51,925	$ (89,664)	$ 47,441
Issuance of Partnership units	30,210	-	-	-	30,210
Other issuance costs	(466)	-	-	-	(466)
Distributions declared	-	-	-	(37,817)	(37,817)
Vesting of Fund units	142	-	-	-	142
LTIP compensation obligation	(96)	-	-	-	(96)
Net income for the period	-	-	3,273	-	3,273
Balance - September 30, 2006	$ 262,765	$ (147,795)	$ 55,198	$ (127,481)	$ 42,687

For the nine months ended September 30, 2005

	Partners' capital (note 8)	Deficit	Accumulated earnings	Accumulated distributions	Total
Balance - January 1, 2005	$ 110,203	$ (147,795)	$ 38,949	$ (44,620)	$ (43,263)
Issuance of Partnership units	116,591	-	-	-	116,591
Other issuance costs	(2,294)	-	-	-	(2,294)
Distributions declared	-	-	-	(32,693)	(32,693)
Issuance of Class C Partnership units - equity component	8,546	-	-	-	8,546
Investment in Cineplex Galaxy Income Fund units	(282)	-	-	-	(282)
LTIP compensation obligation	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

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

Cineplex Entertainment Limited Partnership

Consolidated Statements of Cash Flows
(Unaudited)

(expressed in thousands of Canadian dollars)

Cash provided by (used in)	Three months ended September 30, 2006	Three months ended September 30, 2005	Nine months ended September 30, 2006	Nine months ended September 30, 2005
Operating activities				
Net income for the period	**$ 9,302**	$ 5,672	**$ 3,273**	$ 5,715
Adjustments to reconcile net income to net cash used in operating activities				
Amortization of property, equipment and leaseholds, deferred charges and intangible assets	**16,340**	14,214	**47,412**	27,428
Amortization of tenant inducements, rent averaging liabilities and fair value lease contract liabilities	**(389)**	(519)	**(662)**	(3,246)
Amortization of debt issuance costs	**659**	466	**1,978**	935
Loss on extinguishment of debt	**-**	4,156	**-**	4,156
Impairment of long-lived assets	**-**	4,296	**-**	4,296
Issuance of Class D LP Units - non-cash compensation	**-**	8,050	**-**	8,050
Loss (gain) on disposal of theatre assets	**373**	(26,403)	**(1,862)**	(26,422)
Future income taxes	**(1,457)**	(1,566)	**(868)**	(1,566)
Non-controlling interest	**10**	614	**(379)**	614
Tenant inducements	**10,604**	269	**14,485**	2,165
Changes in operating assets and liabilities (note 5)	**(5,027)**	(8,922)	**(41,972)**	(16,654)
	30,415	327	**21,405**	5,471
Investing activities				
Proceeds from sale of theatre assets	**-**	152,005	**722**	152,030
Capital expenditures	**(21,257)**	(7,488)	**(57,319)**	(16,983)
Theatre shutdown payment	**(500)**	-	**(1,400)**	-
Acquisition of Famous Players Limited Partnership and Famous Players Co. - net of cash acquired	**-**	(431,188)	**-**	(448,688)
Acquisition of Famous Players branded magazines	**-**	-	**(1,100)**	-
Cash received from segregated account for distribution	**-**	-	**-**	8,297
Cash transferred to segregated account for future distributions	**-**	-	**-**	(691)
	(21,757)	(286,671)	**(59,097)**	(306,035)
Financing activities				
Borrowings under credit facility (note 4)	**31,000**	263,000	**82,000**	282,500
Issuance of Partnership units - net of issuance costs (note 8)	**-**	207,247	**30,166**	207,247
Distributions paid	**(12,924)**	(11,625)	**(37,624)**	(39,571)
Dividends paid to non-controlling interest	**-**	(1,372)	**(196)**	(1,372)
Payments under capital leases	**(345)**	(210)	**(1,011)**	(210)
Repayment of credit facility (note 4)	**(24,509)**	(147,005)	**(57,626)**	(151,018)
Investment in Cineplex Galaxy Income Fund units	**-**	-	**-**	(423)
Deferred financing fees	**-**	(7,780)	**(115)**	(9,818)
	(6,778)	302,255	**15,594**	287,335
Increase (decrease) in cash and cash equivalents during the period	**1,880**	15,911	**(22,098)**	(13,229)
Cash and cash equivalents - Beginning of period (note 6)	**21,817**	9,523	**45,795**	38,663
Cash and cash equivalents - End of period	**$ 23,697**	$ 25,434	**$ 23,697**	$ 25,434
Supplemental information				
Cash paid for interest	**$ 8,789**	$ 7,541	**$ 26,340**	$ 18,628
Class C LP distributions paid and classified as interest	**-**	-	**3,161**	-
Cash paid for income taxes - net	**5**	223	**320**	600

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

The Partnership's investors comprise Cineplex Galaxy Trust (the "Trust"), Cineplex Galaxy General Partner Corporation (the "General Partner"), COC, Cineplex Odeon (Quebec) Inc., Onex Corporation and other former investors in GEI. The Trust is wholly owned by Cineplex Galaxy Income Fund (the "Fund"). The Fund is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario on October 2, 2003. On October 3, 2005, the General Partner changed its name to Cineplex Entertainment Corporation.

2 Business acquisition

Under the terms of the purchase agreement ("Purchase Agreement"), on July 22, 2005 the Partnership acquired 100% of Famous Players Limited Partnership ("Famous Players") and its general partner, Famous Players Co. (the "Acquisition"), which together hold substantially all of the assets and liabilities of Viacom Canada Inc.'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 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 provided that the net cash flow of the Famous Players business from and including April 29, 2005 to closing of the Acquisition was to be for the account of the Partnership in the form of a purchase price adjustment. During the first quarter of 2006, it was determined that a purchase price adjustment was not required.

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

The Acquisition has been accounted for by the purchase method; 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	$	318,809
Advertising contracts - amortized over five years		23,300
Trademarks and trade names - indefinite useful life		33,200
Goodwill		191,881
Fair value of leases - assets		17,058
Fair value of leases - liabilities		(22,016)
Net pension liability		(6,632)
Net working capital deficiency		(34,933)
Other liabilities		(7,954)
Capital leases		(39,758)
Net assets		472,955
Less: Cash from the acquisition		(20,118)
	$	452,837
Consideration given		
Cash paid for Acquisition of Famous Players	$	468,806
Less: Cash from the Acquisition		(20,118)
		448,688
Transaction costs associated with the acquisition		4,149
	$	452,837

On March 31, 2006, the above allocation of the purchase price was revised from December 31, 2005 preliminary estimates, which were finalized on March 31, 2006 based on the estimated fair value of the assets acquired and liabilities assumed at the effective date of the Acquisition. Increases (decreases) to the December 31, 2005 allocation of the purchase price are as follows:

Property, equipment and leaseholds	$	2,254
Goodwill		(5,209)
Net working capital deficiency		(1,129)
Other liabilities		(1,730)
Capital leases		(235)
Transaction costs associated with the acquisition		139

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 is estimated to be $119,000.

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

As a result of the Acquisition, the Partnership has identified areas where a duplication of functions existed and 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 completion of services provided by the terminated employees was during the three months ended September 30, 2006. In accordance with The Canadian Institute of Chartered Accountants' ("CICA") Emerging Issues Committee ("EIC") Abstract 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 $8,948. During the three and nine months ended September 30, 2006, $584 and $2,604, respectively, was paid to certain terminated employees and accretion expense of $27 and $103 was charged to the consolidated statements of operations. During the year ended December 31, 2005, the Partnership has accrued involuntary termination charges for Cineplex Entertainment Limited Partnership employees of $740 in general and administrative expenses in accordance with EIC-134, "Accounting for Severance and Termination Benefits." Termination payments of $79 and $341 have been paid during the three and nine months ended September 30, 2006.

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, 2005.

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, 2005.

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

4 Long-term debt and bank indebtedness

The following summarizes changes in long-term debt:

	Three months ended September 30, 2006	Three months ended September 30, 2005	**Nine months ended September 30, 2006**	Nine months ended September 30, 2005
Opening balance				
Working capital facility	**$ 26,400**	$ 13,500	**$ -**	$ -
Term facility	**235,000**	110,000	**235,000**	110,000
Development facility	**-**	17,500	**8,500**	15,500
Other	**18**	49	**35**	62
	261,418	141,049	**243,535**	125,562
Borrowings during the period				
Working capital facility	**18,000**	11,500	**61,400**	29,000
Term facility	**-**	205,000	**-**	205,000
Development facility	**13,000**	46,500	**20,600**	48,500
	31,000	263,000	**82,000**	282,500
Repayments during the period				
Working capital facility	**(24,500)**	(7,000)	**(41,500)**	(11,000)
Term facility	**-**	(80,000)	**-**	(80,000)
Development facility	**-**	(60,000)	**(16,100)**	(60,000)
Other	**(9)**	(5)	**(26)**	(18)
	(24,509)	(147,005)	**(57,626)**	(151,018)
Outstanding				
Working capital facility	**19,900**	18,000	**19,900**	18,000
Term facility	**235,000**	235,000	**235,000**	235,000
Development facility	**13,000**	4,000	**13,000**	4,000
Other	**9**	44	**9**	44
Outstanding at September 30	**$ 267,909**	$ 257,044	**$ 267,909**	$ 257,044

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

5 Cash flow statement

The following summarizes the changes in operating assets and liabilities:

	Three months ended September 30,		Nine months ended September 30,	
	2006	2005	**2006**	2005
Accounts receivable	**$ 6,087**	$ 1,417	**$ 315**	$ 3,920
Inventories	**122**	675	**585**	715
Mortgage receivable	**-**	2,600	**-**	2,600
Prepaid expenses and other current assets	**2,619**	1,028	**(4,393)**	(378)
Due from related parties	**46**	(5)	**12**	(8)
Deferred charges	**-**	-	**(350)**	-
Accounts payable and accrued expenses	**(11,633)**	(16,643)	**(28,147)**	(18,451)
Due to related parties	**2,862**	4,896	**804**	4,662
Income taxes payable	**34**	241	**(334)**	25
Deferred revenue	**(4,860)**	(3,932)	**(10,278)**	(10,623)
Accrued pension liability	**(619)**	96	**(1,124)**	36
Other liabilities	**315**	705	**938**	817
Restricted cash	**-**	-	**-**	31
	$ (5,027)	$ (8,922)	**$ (41,972)**	$ (16,654)
Non-cash investing activities				
Capital asset purchases financed through accrued liabilities	**$ 3,580**	$ 3,212	**$ 3,580**	$ 3,212

Comparative amounts for property, equipment and leasehold purchases financed through accrued liabilities were previously recorded as capital expenditures in the consolidated statements of cash flows. As these are non-cash transactions, the comparative figures have been amended by decreasing capital expenditures and increasing the movement in accounts payable and accrued liabilities, resulting in a $2,009 decrease in cash flows from operating activities and a $2,009 increase in cash flows from investing activities for the three months ended September 30, 2005 and an $880 decrease in cash flows from operating activities and an $880 increase in cash flows from investing activities for the nine months ended September 30, 2005.

(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. These conditions were met during the first quarter of 2006. 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.

As at December 31, 2005, the Partnership had disposed of 27 of the theatres, as required under the Consent Agreement, and two Alliance Atlantis brand theatres. During the nine months ended September 30, 2006, the Partnership disposed of the remaining seven theatres, which were in Quebec ("Quebec Theatres"), as required under the Consent Agreement. The total proceeds for the Quebec Theatres and a related screen advertising contract were $1,850. As per EIC-142, "Revenue Arrangements with Multiple Deliverables," $1,000 of the proceeds has been allocated to a screen advertising contract with the remaining $850 allocated to the Quebec Theatres of which the latter amount is with closing adjustments, under the terms of the agreement, payable within six months of the closing of the agreement, subject to a purchase price adjustment. During the three months ended September 30, 2006, the Partnership disposed of its remaining three Alliance Atlantis brand theatres to a related party for a nominal amount (note 7).

The carrying amounts of the major classes of assets held for sale and liabilities related to property held for sale as at December 31, 2005 were as follows:

	December 31, 2005
Cash	$ 605
Property, equipment and leaseholds	3,481
Other	184
	$ 4,270
Accounts payable	$ 685
Deferred revenue	158
Other	3,235
	$ 4,078

As at September 30, 2006, the Partnership no longer had assets and liabilities classified as held for sale.

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

7 Commitments and contingencies

Commitments

As at September 30, 2006, the Partnership has aggregate capital commitments as follows:

Capital commitments for five theatres to be completed during 2006, 2007 and 2008	$	18,554
Other capital commitments		2,637
Letters of credit		1,272

Guarantees

During the three months ended March 31, 2006, the Partnership entered into an agreement with a third party to divest seven theatres, six of which were leased properties, as required by the Commissioner of Competition (note 6), and to provide advertising services until December 31, 2012. The Partnership is guarantor under the leases for the remainder of the lease term in the event that the purchaser of the theatres does not fulfill its obligations under the respective lease. The Partnership has also guaranteed certain advertising revenues based on attendance levels. During the three months ended September 30, 2006, the Partnership entered into an agreement with a related party to divest its 49% share in its three remaining Alliance Atlantis branded theatres. The Partnership is guarantor for its 49% share of the leases for the remainder of the lease term in the event that the purchaser of the Partnership's share in the theatres does not fulfill its obligations under the respective lease. No amounts have been provided in the consolidated financial statements for these guarantees as the occurrence of the guarantees being exercised is not determinable and the total required future minimum payments guaranteed by the Partnership cannot be estimated. Should the purchasers of the theatres fail to fulfill their lease commitment obligations, the Partnership could face a substantial financial burden.

Other

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

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

8 Partners' capital

On June 20, 2006, the Partnership issued 2,000,000 Class A LP Units to Cineplex Galaxy Trust. The Fund financed the acquisition of the Class A LP Units through the issuance of 2,000,000 Fund units at $15.90 per unit to raise gross proceeds of $31,800. The Partnership and the Fund entered into a reimbursement agreement under which fees of $1,984 associated with the issuance of the Fund units were reimbursed by the Partnership. The Partnership recorded the fees in partners' equity. Proceeds from the issuance of units are shown net of underwriting fees.

Partnership units issued at September 30 are as follows:

	Three months ended				Nine months ended			
	September 30, 2006		September 30, 2005		September 30, 2006		September 30, 2005	
	Units	Amount	Units	Amount	Units	Amount	Units	Amount
Opening balance								
Class A LP Units	**28,235,000**	**$ 214,231**	19,400,000	$ 79,480	**26,235,000**	**$ 184,021**	19,400,000	$ 79,480
Class B, Series 1 LP 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 LP Units	**2,086,957**	**-**	2,086,957	-	**2,086,957**	**-**	2,086,957	-
Class B, Series 2-G LP Units	**5,130,435**	**14,085**	5,130,435	14,085	**5,130,435**	**14,085**	5,130,435	14,085
Class C LP Units	**5,600,000**	**8,546**	-	-	**5,600,000**	**8,546**	-	-
Class D LP Units	**748,447**	**12,050**	-	-	**748,447**	**12,050**	-	-
Other issuance costs	**-**	**(2,989)**	-	(222)	**-**	**(2,523)**	-	(222)
Investment in Fund units	**-**	**(125)**	-	(282)	**-**	**(267)**	-	-
LTIP compensation obligation	**-**	**98**	-	160	**-**	**203**	-	-
	62,750,421	**262,756**	47,566,974	110,081	**60,750,421**	**232,975**	47,566,974	110,203
Transactions during the period								
Class A LP Units	**-**	**-**	6,835,000	104,541	**2,000,000**	**30,210**	6,835,000	104,541
Class C LP Units	**-**	**-**	5,600,000	8,546	**-**	**-**	5,600,000	8,546
Class D LP Units	**-**	**-**	748,447	12,050	**-**	**-**	748,447	12,050
Other issuance costs	**-**	**-**	-	(2,294)	**-**	**(466)**	-	(2,294)
Vesting of Fund units	**-**	**-**	-	-	**-**	**142**	-	-
Investment in Fund units	**-**	**-**	-	-	**-**	**-**	-	(282)
LTIP compensation obligation	**-**	**9**	-	31	**-**	**(96)**	-	191
	-	**9**	13,183,447	122,874	**2,000,000**	**29,790**	13,183,447	122,752
Outstanding at September 30								
Class A LP Units	**28,235,000**	**214,231**	26,235,000	184,021	**28,235,000**	**214,231**	26,235,000	184,021
Class B, Series 1 LP 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 LP Units	**2,086,957**	**-**	2,086,957	-	**2,086,957**	**-**	2,086,957	-
Class B, Series 2-G LP Units	**5,130,435**	**14,085**	5,130,435	14,085	**5,130,435**	**14,085**	5,130,435	14,085
Class C LP Units	**5,600,000**	**8,546**	5,600,000	8,546	**5,600,000**	**8,546**	5,600,000	8,546
Class D LP Units	**748,447**	**12,050**	748,447	12,050	**748,447**	**12,050**	748,447	12,050
Other issuance costs	**-**	**(2,989)**	-	(2,516)	**-**	**(2,989)**	-	(2,516)
Investment in Fund units	**-**	**(125)**	-	(282)	**-**	**(125)**	-	(282)
LTIP compensation obligation	**-**	**107**	-	191	**-**	**107**	-	191
Outstanding - End of period	**62,750,421**	**$ 262,765**	60,750,421	$ 232,955	**62,750,421**	**$ 262,765**	60,750,421	$ 232,955

(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 $125 (December 31, 2005 - $282) investment in Fund units relating to the Long-Term Incentive Plan ("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.

9 Impairment of long-lived assets

In accordance with CICA Handbook Section 3063, "Impairment of Long-Lived Assets," the Partnership assessed the recoverability of its theatre assets and determined that, during the nine months ended September 30, 2006, five theatres had estimated future cash flows that are not expected to be sufficient to recover the carrying amount of the theatre assets. The Partnership incurred an impairment charge of $962 during the nine months ended September 30, 2006 in order to write down the theatre assets to their estimated fair values. This amount is included in income from discontinued operations.

During the three and nine months ended September 30, 2005, 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 and nine months ended September 30, 2005 in order to write down the theatre assets to their estimated fair values.

10 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.

11 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, 2006 and 2005 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.

12 Comparative information

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