ESCAPE WITH US

2009 First Quarter

CINEPLEX GALAXY INCOME FUND

Cineplex Entertainment LP owns, operates or has an interest in 130 theatres with 1,328 screens. The company operates theatres with the following Top tier brands: Cineplex Odeon, Galaxy, Famous Players (including Colossus, Coliseum, SilverCity), Scotiabank Theatres and Cinema City

TABLE OF CONTENTS

Letter to Unitholders:

The first quarter of 2009 was a record quarter. We achieved our best ever first quarter results in attendance, box office, concession, other and total revenues which resulted in record EBITDA of $29.9 million, 19.2% better than the first quarter of 2008. In addition, distributable cash per unit increased 16.2% to $0.381 versus last year.

In spite of the general economic downturn, total revenues for the quarter increased 11.2% to $211.0 million as compared to the first quarter of 2008. Cineplex box office revenues were up 11.5% and our attendance increased 9.0% compared to the same period last year. First quarter box office results were driven by the strong film performances from movies including: *Paul Blart: Mall Cop, Slumdog Millionaire*, *He's Just Not That Into You, Watchman* and *Taken* in addition to the continued success of our *Metropolitan Opera Live in High Definition* series.

Concession revenues increased 11.3% as compared to the first quarter of 2008, driven by the 9.0% increase in attendance and a $0.08 increase in the average concession revenue per patron. Concession revenue per patron in the first quarter of 2009 was $3.95 compared to $3.87 in the prior year first quarter. Additionally, other revenue increased 8.1% to $17.6 million during the first quarter of 2009 from the same period in 2008.

We continued to add digital projectors during the quarter in order to capitalize on the great slate of 3D films scheduled for release in 2009. We expect to have 161 digital projectors installed strategically in 72 theatres across the country by the end of the second quarter of 2009. 122 of these screens will also be 3D capable with Real D 3D technology.

During the quarter, our SCENE loyalty program continued to add new members reaching approximately 1.6 million members as of March 31, 2009. The SCENE program has been very well received and continues to generate thousands of new members each week. As our database grows and we develop a history of usage, we are gaining tremendous insight into our theatre guests. We will leverage this learning to increase movie-going frequency and generate additional revenue opportunities which we believe will create an asset of significant value to the company in the long term.

On April 30th, 2009 we completed our previously announced plans to acquire Onsite Media Network Inc., which is a digital signage network company that broadcasts advertising and custom content to premium office towers and sports stadiums across Canada. The acquisition of Onsite will provide us with a relatively low cost entry into the digital out-of-home advertising sector by allowing us to extend the scope of our media sales force and existing media relationships into this market. The digital out-of-home advertising sector is an emerging sector and is expected to grow at higher rates than traditional forms of advertising.

In closing, I would like to reiterate that we are in a solid position financially, well positioned for continued growth and sustainable distributions to unitholders. Our balance sheet is strong and we have continued our focus on reducing leverage and debt.

On behalf of the Board of Directors,

Ellis Jacob
President and Chief Executive Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS

May 7, 2009

As of March 31, 2009, Cineplex Galaxy Income Fund (the "Fund") indirectly owned approximately 97% of Cineplex Entertainment Limited Partnership (the "Partnership"). The following management's discussion and analysis ("MD&A") of the Fund's financial condition and results of operations should be read together with the consolidated financial statements and related notes of the Fund (see Section 1, Overview of the Fund). These financial statements, presented in Canadian dollars, were prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

Unless otherwise specified, all information in this MD&A is as of March 31, 2009.

MANAGEMENT'S DISCUSSION AND ANALYSIS CONTENTS

Non-GAAP Measures

The Fund reports on certain non-GAAP measures that are used by management to evaluate performance of the Partnership and the Fund. In addition, non-GAAP measures are used in measuring compliance with debt covenants and are used to manage the Fund's capital structure. Because non-GAAP measures do not have a standardized meaning, securities regulations require that non-GAAP measures be clearly defined and qualified, and reconciled to their nearest GAAP measure. The definition, calculation and reconciliation of non-GAAP measures are provided in Section 18, Non-GAAP measures.

Forward Looking Statements

This MD&A contains "forward-looking statements" within the meaning of applicable securities laws, such as 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 ("AIF") 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 national and world events, including war, terrorism, international conflicts, natural disasters, extreme weather conditions, 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, their financial or operating results or their securities. Additional information, including the Fund's AIF, can be found on SEDAR at www.sedar.com.

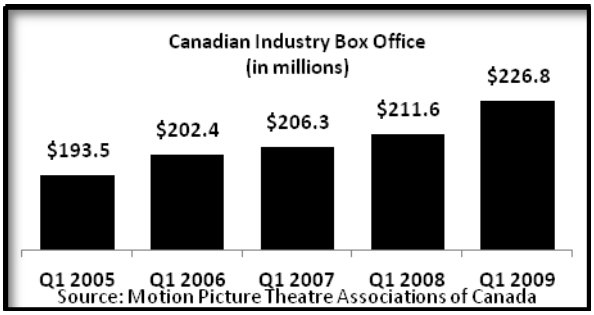
1. OVERVIEW OF THE FUND

The Fund and the Partnership were 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 (directly and indirectly through CELP 2007 Limited Partnership ("CELP 2007 LP")) and certain former investors in GEI. The Trust is wholly owned by the Fund. On July 22, 2005 the Partnership acquired the movie exhibition business of Famous Players Limited Partnership ("Famous Players"), becoming Canada's largest film exhibition operator with theatres in six provinces. The Fund'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. The business of the Fund is carried on through the Partnership and its subsidiaries. As of March 31, 2009, the Fund owned, leased or had a joint-venture interest in 1,328 screens in 130 theatres, including 37 screens in four theatres held in joint ventures.

Under the provisions of an exchange agreement entered into at the time of the Fund's initial public offering (as amended or restated from time to time, the "Exchange Agreement") designed to facilitate the exchange of units of the Partnership ("LP Units") into units of the Fund ("Fund Units"), Onex Corporation ("Onex") through COC and CELP 2007 LP exchanged 11,376,119 Class B LP Units and 609,699 Class B, Series 1 LP Units for 11,985,818 Fund Units during the three months ended March 31, 2009. As a result, during this period the Fund indirectly increased its ownership in the Partnership to 97% excluding the Class C LP Units. On April 21, 2009, the Fund increased its ownership in the Partnership to 99.5% (see Section 16, Subsequent events).

2. INDUSTRY OVERVIEW

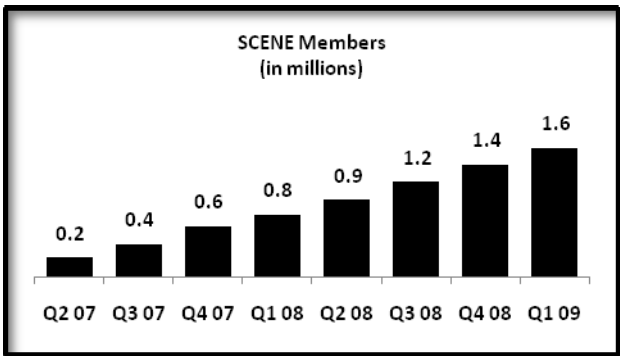
The motion picture industry consists of three principal activities: production, distribution and exhibition. Production involves the development, financing and production of feature-length motion pictures. Distribution involves the promotion and exploitation of motion pictures in a variety of different channels. Theatrical exhibition is the primary initial distribution channel for new motion picture releases. Canadian industry box office results have increased steadily over the past four years during the first quarter. A detailed discussion of the motion picture exhibition industry in Canada can be found in the Fund's MD&A for the year ended December 31, 2008. The industry has not changed materially during the first quarter of 2009.



3. BUSINESS STRATEGY

The Fund's business strategy is to continue to enhance its position as a leading exhibitor in the Canadian market by focusing on providing customers with a premium entertainment experience in its theatres, through its media vehicles and on its website. Key elements of this strategy include going beyond movies to reach customers in new ways. Since the Famous Players acquisition in 2005, Cineplex has diversified the business beyond the traditional movie exhibition model to include capitalizing on the Cineplex media department ("Cineplex Media"), development of the SCENE loyalty program, expansion of its alternative programming and creation of an interactive department that has developed a robust website that includes an ecommerce business selling DVDs. A further key component of the in-theatre strategy is a focus on merchandising, which comprises the Fund's food retailing business. The Fund's initiatives in merchandising include increasing the variety of food and beverage choices available to its customers and improving speed of service.

The Fund's mission statement is "Passionately delivering an exceptional entertainment experience". All of its efforts are focused towards this mission and it is the Fund's goal to consistently provide guests with an exceptional entertainment experience at a fair value. With this in mind, during 2007 and 2008, the Fund implemented new initiatives to improve the overall movie going experience, including enhanced in-theatre services, alternative pricing strategies, the SCENE loyalty program, a gift card program, the Cineplex Store which sells DVDs on-line, further expansion of the digital pre-show and enhanced merchandising programs, which it will continue to leverage in 2009. The SCENE loyalty program added over 200,000 new members during the first quarter of 2009, and at March 31, 2009, there were over 1,578,000 members in the program. During April 2009, the Fund announced that it is launching XSCAPE, a new 10,000 square foot entertainment centre located inside SilverCity Newmarket Cinemas, featuring the latest video and interactive games. The ultimate goal of these customer service initiatives is to increase the



frequency of movie-going at the Fund's theatres. Also during April 2009, the Fund announced the acquisition of Onsite Media Network Inc. ("Onsite"). The acquisition of Onsite will provide the Fund with a relatively low cost entry into the digital out-of-home advertising sector by allowing the Fund to extend the scope of its media sales force, content creation resources and existing media relationships into this market. The digital out-of-home advertising sector is an emerging sector and is expected to grow at higher rates than traditional advertising vehicles (see Section 16, Subsequent Events). A detailed discussion of the Fund's business strategy can be found in the Fund's MD&A for the year ended December 31, 2008. Such strategy has not changed materially during the first quarter of 2009.

4. OVERVIEW OF OPERATIONS

Revenues

The Fund generates revenues primarily from box office and concession sales. These revenues are affected primarily by attendance levels and by changes in the average box office revenue per patron and average concession revenue per patron. The commercial appeal of the films and alternative content released during the period, the success of marketing as well as promotion for those films by film studios, distributors and content providers drives attendance. Average box office revenue per patron is affected by the mix of film and alternative content product that appeals to certain audiences (such as children or young adults who pay lower ticket prices) and ticket prices during the period. The Fund's main focus is to drive incremental visits to the theatre and employs a ticket price strategy which takes into account the local demographics and competition at each individual theatre.

Average concession revenue per patron ("CPP") is affected by concession product mix, concession prices and type of film. Film product targeted to children tends to result in a higher CPP and more upscale or adult oriented product tends to produce a lower CPP. As a result, CPP tends to fluctuate from quarter to quarter based on the type of film product playing during the quarter. Although pricing has an impact on CPP, the Fund focuses on growing CPP through the broadening of the product offerings and operational excellence.

In addition, the Fund generates other revenues from in-theatre advertising sales through Cineplex Media, promotional activities, the online Cineplex Store, game rooms, screenings, private parties, corporate events, breakage on gift card sales and theatre management fees.

Cost of Sales and Expenses

Film cost represents the film rental fees paid on films exhibited in the Fund's theatres. Film costs are calculated as a percentage of box office revenue and are dependent on various factors including the performance of the film, and generally vary 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 estimated terms where a mutually agreed settlement is reached upon conclusion of the film's run, depending upon the film licensing arrangement. Although the film cost percentage is relatively stable when reviewed on an annual basis, there can be significant variances throughout the quarters based on the actual results versus the expected results for specific films playing during each quarter.

Concession cost represents the costs of concession items sold and varies with changes in concession revenue as well as the quantity and mix of concession offerings sold. During periods where the concession sales mix is dominated by core concession products (soft drinks, popcorn and candy), the concession cost percentage tends to be lower than periods with higher proportional sales through the Fund's retail branded outlets. Film product that caters to children tends to result in a higher mix of core concession product sales. The 10% discount offered to members of the SCENE loyalty program impacts the concession cost percentage, as concession revenues relating to these sales are reduced by 10% while the corresponding cost of concessions remains constant.

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 Fund's theatre leases generally require a fixed monthly minimum rent payment. However, a number of the Fund'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 operating expenses consist of fixed and variable expenses, including marketing and advertising, media, loyalty, interactive, theatre salaries and wages, supplies and services, utilities and maintenance. 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 managing the Fund's business, including film buying, marketing and promotions, operations and concession management, accounting and financial reporting, legal, treasury, construction and design, real estate development, information systems and administration. Included in these costs are payroll and occupancy costs related to the Fund's corporate offices, professional fees (such as public accountant and legal fees) and travel and related costs. The Fund's management maintains general and administrative staffing and associated costs 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 Fund has an interest using the proportionate consolidation method as required by GAAP.

5. RESULTS OF OPERATIONS

5.1 SELECTED FINANCIAL DATA

The following table presents summarized financial data for the Fund for the three months ended March 31, 2009 and March 31, 2008 (expressed in thousands of dollars except Fund Units outstanding and per Fund Unit data).

	For the three months ended March 31, 2009	2008
Box office revenues	$ 130,277	$ 116,823
Concession revenues	63,126	56,721
Other revenues	17,618	16,297
Total revenues	211,021	189,841
Film Cost	65,940	58,932
Cost of concessions	12,924	11,653
Occupancy expenses	40,150	39,347
Other operating expenses	50,721	45,252
General and administrative expenses	11,372	9,567
Cost of operations	181,107	164,751
Income from operations	29,914	25,090
Net income (loss)	$ 3,703	$ (2,255)
Basic net income (loss) per Fund Unit	$ 0.07	$ (0.05)
Diluted net income (loss) per Fund Unit (i)	$ 0.07	$ (0.07)
Total assets	$ 1,237,941	$ 1,246,824
Total long-term financial liabilities (ii)	$ 335,099	$ 334,005
Fund Units outstanding at March 31	$ 55,400,035	$ 43,414,217
Cash distributions declared per Fund Unit	$ 0.315	$ 0.300
Distributable cash per Fund Unit (iii)	$ 0.381	$ 0.328
Box office revenue per patron	$ 8.16	$ 7.98
Concession revenue per patron	$ 3.95	$ 3.87
Film cost as a percentage of box office revenue	50.6%	50.4%
Attendance (in thousands of patrons)	15,966	14,645

(i) Excludes the conversion of the Convertible Debentures, as such conversion would be anti-dilutive.
(ii) Comprised of long-term debt and the Fund's Convertible Debentures – liability component. Excludes fair value of interest rate swap agreements, capital lease obligations, accrued pension benefit liability, other liabilities and deferred financing fees net against long-term debt.
(iii) See Section 18, Non-GAAP measures for the definition and calculation of distributable cash per Fund Unit.

5.2 OPERATING RESULTS FOR THE FIRST QUARTER OF 2009

Unless otherwise indicated, 2005 results discussed herein are reported pro forma to include the results of Famous Players prior to its acquisition by the Partnership on July 22, 2005.

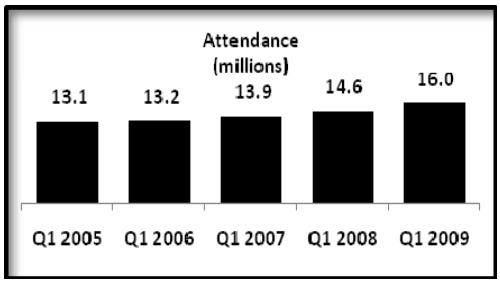
Total revenues. Total revenues for the three months ended March 31, 2009 increased $21.2 million to $211.0 million. A discussion of the factors affecting the changes in box office, concession and other revenues for the first quarter of 2009 compared to the first quarter of 2008 is provided below.

Box office revenues. The following table highlights the movement in box office revenues, attendance and box office revenues per patron ("BPP") for the quarter (in thousands of dollars, except attendance and per patron data):

Box office revenues	First Quarter		
	2009	2008	Change
Box office revenues	$ 130,277	$ 116,823	11.5%
Attendance	15,966	14,645	9.0%
Box office revenue per patron	$ 8.16	$ 7.98	2.3%
Canadian industry revenues (1)			7.2%

(1) Source: Motion Picture Theatre Associations of Canada

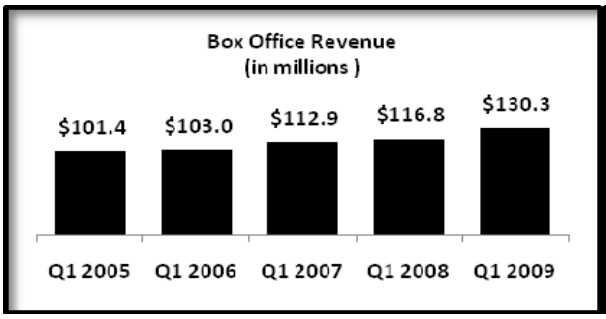
Box office continuity	First Quarter	
In thousands	Box Office	Attendance
2008 as reported	$ 116,823	14,645
Same store attendance	8,826	1,101
Same store BPP change	1,965	-
New and acquired theatres	3,789	436
Disposed and closed theatres	(1,126)	(216)
2009 as reported	$ 130,277	15,966

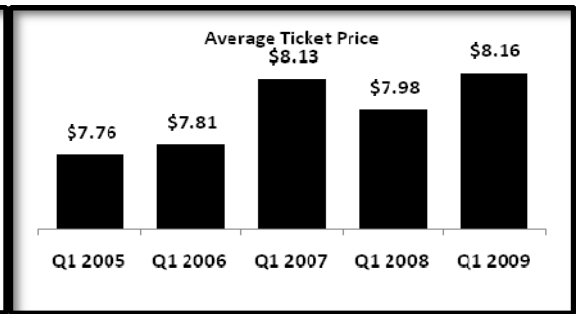


Top Cineplex Films – First Quarter 2009 compared to First Quarter 2008					
Q1 2009 Top Cineplex Films		% Total Box	Q1 2008 Top Cineplex Films		% Total Box
1	Paul Blart: Mall Cop	5.4%	1	Juno	5.8%
2	Slumdog Millionaire	5.1%	2	Dr. Seuss' Horton Hears a Who!	4.1%
3	He's Just Not That Into You	4.8%	3	10,000 B.C.	4.1%
4	Watchmen	4.6%	4	27 Dresses	3.8%
5	Taken	4.2%	5	Jumper	3.5%

The Fund reported its highest-ever first quarter box office revenues in 2009 in spite of the general economic downturn. Box office revenues for the quarter were up compared to the prior year, driven by the consistently strong film performance across the first three months of 2009. *Paul Blart: Mall Cop* outperformed expectations to be Cineplex's top film of the quarter, and *Slumdog Millionaire* leveraged its eight Oscar wins into strong box office results. *He's Just Not That Into You* performed well during the Valentine's Day period, and *Watchmen* catered to the action/adventure crowd. This strong film product led to a 9.0% increase in attendance, and an 11.5% increase in box office revenues period over period. The Canadian exhibition industry reported a box office increase of 7.2% for the period from January 2, 2009 to April 2, 2009 as compared to the period from December 28, 2007 to March 27, 2008. On a basis consistent with the Fund's calendar reporting period (January 1st to March 31st), it is estimated that Canadian industry box office would show an increase similar to that reported by the Fund.

Box office revenue per patron increased $0.18 from $7.98 in the first quarter of 2008 to $8.16 in the first quarter of 2009 due to the film slate catering to mature audiences. In addition, the success of 3D films such as *Coraline*, *Monsters vs. Aliens*, *My Bloody Valentine* and the *Jonas Brothers: The 3D Concert Experience*, as well for IMAX releases such as *Watchmen* and *The Day the Earth Stood Still* increased the Fund's overall box office revenue per patron, as these films attract a premium over regular ticket prices. Select ticket price increases implemented in November 2008 also contributed to this increase.



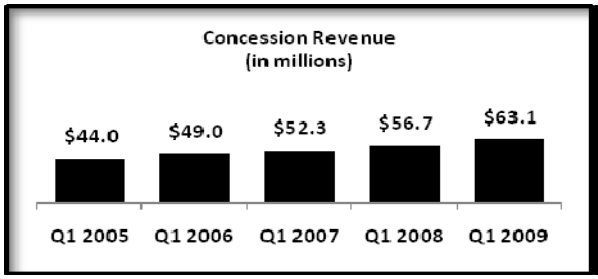


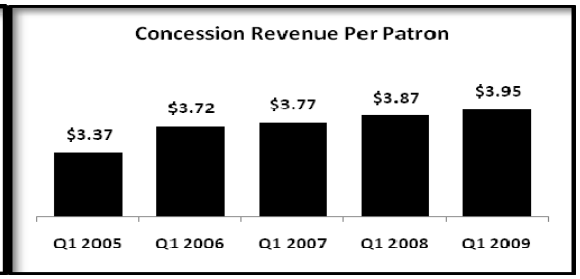
Concession revenues. The following table highlights the movement in concession revenues, attendance and box office revenues per patron for the quarter (in thousands of dollars, except per patron amounts):

Concession revenues	First Quarter		
	2009	2008	Change
Concession revenues	$ 63,126	$ 56,721	11.3%
Attendance	15,966	14,645	9.0%
Concession revenue per patron	$ 3.95	$ 3.87	2.1%

Concession revenue continuity	First Quarter	
In thousands	Concession	Attendance
2008 as reported	$ 56,721	14,645
Same store attendance	4,265	1,101
Same store CPP change	1,006	-
New and acquired theatres	1,931	436
Disposed and closed theatres	(797)	(216)
2009 as reported	$ 63,126	15,966

Concession revenues increased 11.3% as compared to the prior period, driven by the 9.0% increase in attendance and a $0.08 increase in the average concession revenue per patron, which increased from $3.87 in the first quarter of 2008 to $3.95 in the first quarter of 2009. This increase in per-patron spending occurred despite the quarter lacking a major release targeted at the family demographic, who tend to be higher concession spenders. Selected price increases implemented in the second quarter of 2008 contributed to this increase.

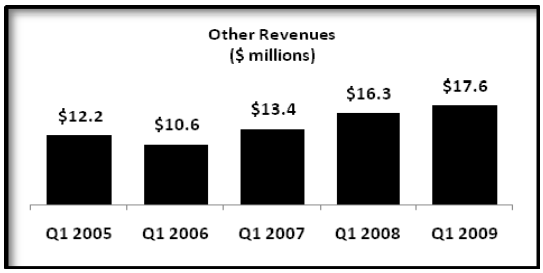




Management believes that concession revenues will continue to be dependent on overall theatre attendance and that the current economic conditions will not have a material impact on concession revenues.

Other revenues. The following table highlights the movement in media, games and other revenues for the quarter (in thousands of dollars):

Other revenues	First Quarter		
	2009	2008	Change
Media	$ 10,622	$ 10,374	2.4%
Games	1,168	1,367	-14.6%
Other	5,828	4,556	27.9%
Total	$ 17,618	$ 16,297	8.1%



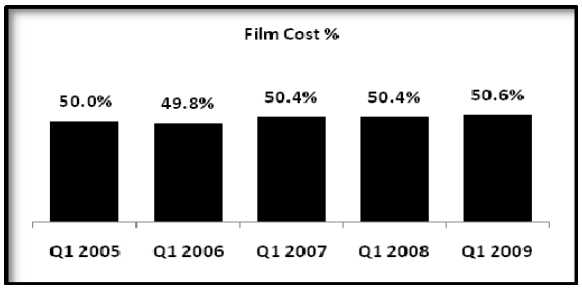
During the first quarter of 2009, media revenue increased $0.2 million to $10.6 million. This $0.2 million increase was comprised of a $2.2 million increase in non-cash barter revenue offset by a $2.0 million reduction in cash-settled media revenue. Rather than settling cash-based transactions, during 2008 the Fund entered into a number of cross-promotional non-cash barter agreements with certain promotional partners to provide radio and television promotions to the Fund's business initiatives. During the first quarter of 2009 the Fund recognized $2.2 million in media revenue and an additional $1.7 million in marketing costs related to these transactions.

Games revenues were down period over period, primarily due to the film slate featuring strong performances from award-nominated films such as *Slumdog Millionaire*, *Gran Torino*, and *The Curious Case of Benjamin Button*, which tend to appeal to customers who are not frequent game players.

Other revenues were up primarily due to higher breakage revenues associated with increased sales of gift cards and corporate coupons.

Film cost. The following table highlights the movement in film cost and film cost as a percentage of box office revenue ("film cost percentage") for the quarter (in thousands of dollars, except film cost percentage):

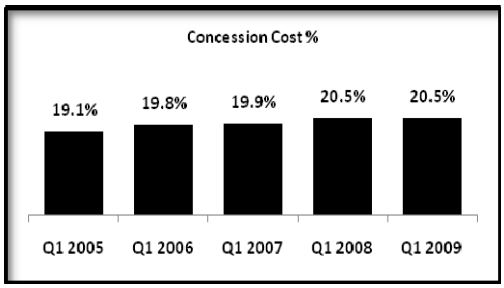
Film cost	First Quarter		
	2009	2008	Change
Film cost	$ 65,940	$ 58,932	11.9%
Film cost percentage	50.6%	50.4%	0.4%



Film cost varies primarily with box office revenue. The quarterly increase was driven by the 11.5% increase in box office revenues. Film cost percentage was up marginally as compared to the prior year, due to the mix of film product during the quarter resulting in a slightly higher film cost percentage.

Cost of concessions. The following table highlights the movement in concession cost and concession cost as a percentage of concession revenues ("concession cost percentage") for the quarter (in thousands of dollars, except concession cost percentage):

Cost of concessions	First Quarter		
	2009	2008	Change
Concession cost	$ 12,924	$ 11,653	10.9%
Concession cost percentage	20.5%	20.5%	0.0%



Cost of concessions varies primarily with theatre attendance as well as the quantity and mix of concession offerings sold. The increase in concession cost period over period was due to the 11.5% increase in attendance. Concession cost percentage remained constant at 20.5% for both the first quarters of 2008 and 2009, in spite of the continued growth of the SCENE loyalty program and the associated 10% discount on concession products. This 10% discount accounted for a 0.2% increase in the concession cost percentage during the first quarter of 2009 as compared to the prior year period.

Occupancy expense. The following table highlights the movement in occupancy expenses for the quarter, including non-recurring one-time benefits of lease-related amounts recognized during the period (in thousands of dollars):

Occupancy expense	First Quarter		
	2009	2008	Change
Occupancy expenses excluding one-time benefits	$ 40,376	$ 40,226	0.4%
One-time benefits	(226)	(879)	-74.3%
Occupancy expenses as reported	$ 40,150	$ 39,347	2.0%

The $0.8 million increase in occupancy expenses was primarily due to lower one-time benefits of lease-related amounts recognized in 2009 as compared to the prior period ($0.7 million) and the incremental costs associated with new and acquired theatres ($1.1 million), offset by the impact of disposed and closed theatres ($0.5 million) and lower real estate taxes and rent expenses ($0.5 million).

Other operating expenses. The following table highlights the movement in other operating expenses during the quarter (expressed in thousands of dollars):

Occupancy expense	First Quarter		
	2009	2008	Change
Other operating expenses	$ 50,721	$ 45,252	12.1%

Other operating expenses increased $5.5 million due to the incremental impact of new and acquired theatres ($1.3 million), increased theatre payroll driven by minimum wage increases and increased theatre staffing due to higher theatre attendance in the first quarter of 2009 as compared to the same period in 2008 ($1.7 million), additional marketing costs ($1.8 million) primarily arising from the non-cash barter agreements previously discussed, costs related to expanded service offerings such as the elimination of charges for online ticketing and 3D technology licensing payments ($0.8 million) and higher supplies, services and utility costs relating to higher business volumes during the quarter ($1.0 million). These

increases were offset by the impact of disposed and closed theatres ($0.6 million) and lower costs relating to the SCENE loyalty program and the Fund's interactive media initiatives ($0.5 million). SCENE costs have decreased slightly from the prior year period as the first quarter of 2008 included higher program marketing costs in addition to the regular operating costs of SCENE. Interactive media costs have decreased as well due to the redevelopment of cineplex.com during the first quarter of 2008.

General and administrative expenses. The following table highlights the movement in general and administrative ("G&A") expenses during the quarter, including the Fund's total Long-Term Incentive Plan ("LTIP") costs, and the net general and administrative costs without factoring in the LTIP program (expressed in thousands of dollars):

G&A expenses	**First Quarter**		
	2009	**2008**	**Change**
G&A excluding LTIP	$ 8,693	$ 7,723	12.6%
LTIP	$ 2,679	$ 1,844	45.3%
G&A costs as reported	$ 11,372	$ 9,567	18.9%

General and administrative costs increased $1.8 million as a result of increased costs under the LTIP ($0.8 million) and increased direct costs ($1.0 million). The direct costs increased due to a $0.4 million increase in head office payroll as a result of higher headcount relating to the Fund's new initiatives, higher professional fees ($0.2 million) and other costs ($0.4 million). The Fund has received approval for the proposed wind-up of the Famous Players defined benefit pension plan and estimates that the expense to be recorded on the wind-up will be $1.7 million.

Amortization. During the first quarter of 2009, amortization costs decreased primarily due to the effect of fully amortized theatre assets and disposed theatre assets, offset by new and acquired theatre assets. The Fund closed four theatres during the last four months of 2008, with three theatre openings in November and December of 2008.

Amortization expenses (in thousands of dollars)	**First Quarter**		
	2009	**2008**	**Change**
Amortization	$ 20,864	$ 21,102	-1.1%

(Gain) loss on disposal of theatre assets. The (gain) loss on disposal of theatre assets represents the gain or loss on theatre assets that were sold or otherwise disposed of.

(Gain) loss on disposal of theatre assets (in thousands of dollars)	**First Quarter**		
	2009	**2008**	**Change**
(Gain) loss on disposal of theatre assets	$ (5)	$ 311	NM

For the three months ended March 31, 2009, the Fund recorded a gain of $5 thousand relating to assets that were sold or otherwise disposed of. The Fund recorded a loss of $0.3 million for the three months ended March 31, 2008 that was primarily related to the disposition of theatre equipment.

Interest and accretion on convertible debentures. The following table highlights the movement in interest and accretion expense on the Fund's convertible debentures for the quarter (expressed in thousands of dollars):

Interest and accretion on convertible debentures	First Quarter		
	2009	2008	Change
Convertible debenture interest expense	$ 1,571	$ 1,583	-0.8%
Convertible debenture accretion expense	265	257	3.1%
Total interest and accretion on convertible debentures	**$ 1,836**	**$ 1,840**	**-0.2%**

Interest on long-term debt and capital lease obligations. The following table highlights the movement in interest on long-term debt and capital lease obligations during the quarter (expressed in thousands of dollars):

Interest on long-term debt and capital lease obligations	First Quarter		
	2009	2008	Change
Long-term debt interest expense	$ 3,422	$ 3,272	4.6%
Capital lease interest expense	633	662	-4.4%
Sub-total - cash interest expense	4,055	3,934	3.1%
Deferred financing fee amortization	149	147	1.4%
Interest rate swap - non cash	10	508	-98.0%
Sub-total - non-cash interest expense	159	655	-75.7%
Total interest expense	**$ 4,214**	**$ 4,589**	**-8.2%**

Interest on long-term debt for the quarter decreased to $4.2 million from $4.6 million for the same period in 2008. The decrease primarily reflects lower non-cash interest on the Fund's interest rate swap agreements. Cash interest expense was marginally higher in 2009 compared to the first quarter of 2008 due to borrowings, offset by lower interest rates.

Interest income. The decrease in interest income in the first quarter of 2009 as compared to the prior year is due to lower interest rates.

Interest income (in thousands of dollars)	First Quarter		
	2009	2008	Change
Interest income	$ 125	$ 297	-57.9%

Income taxes. For the three months ended March 31, 2009, the Fund recorded current income tax expense of $7 thousand (2008 – recovery of $5 thousand) and a future income tax recovery of $0.7 million (2008 – expense of $1.5 million).

Income taxes (in thousands of dollars)	First Quarter		
	2009	2008	Change
Current income tax expense (recovery)	$ 7	$ (5)	NM
Future income tax (recovery) expense	$ (737)	$ 1,537	NM

Non-controlling interests. Non-controlling interests for the three months ended March 31, 2009 and March 31, 2008 represent the share of the Partnership's operating results that are not controlled by the Fund. During the first quarter of 2008, the Fund's ownership of the Partnership was approximately 76%, whereas in

the first quarter of 2009, the Fund's ownership of the Partnership was approximately 97% (also see Section 16, Subsequent events).

Non-controlling interests (in thousands of dollars)	**First Quarter**		
	2009	**2008**	**Change**
Non-controlling interests	$ 157	$ (1,732)	NM

Net income (loss). Net income for the three months ended March 31, 2009 increased from a net loss of $2.3 million for the three months ended March 31, 2008 to net income of $3.7 million. The change was due to the net effect of all the other factors described above.

Net income (loss) (in thousands of dollars)	**First Quarter**		
	2009	**2008**	**Change**
Net income (loss)	$ 3,703	$ (2,255)	NM

5.3 Earnings before interest, income taxes, depreciation and amortization ("EBITDA") (see Section 18, Non-GAAP measures)

The following table represents the Fund's EBITDA and adjusted EBITDA for the first quarter of 2009 as compared to the first quarter of 2008 (expressed in thousands of dollars, except adjusted EBITDA margin):

	Three months ended March 31,	
	2009	**2008**
EBITDA	$ 29,762	$ 26,511
Adjusted EBITDA	$ 29,914	$ 25,090
Adjusted EBITDA margin	14.2%	13.2%

Adjusted EBITDA for the first quarter of 2009 increased $4.8 million, or 19.2%, from the first quarter of 2008. Adjusted EBITDA margin, calculated as adjusted EBITDA divided by total revenues, was 14.2%, up from 13.2% in the first quarter of 2008. This increase in EBITDA margin was driven by higher revenues driven by the strong film product during the quarter.

6. BALANCE SHEETS

The following are the significant changes in the Fund's consolidated balance sheets during the three months ended March 31, 2009 (in thousands of dollars):

($ thousands)	March 31, 2009	December 31, 2008	Change ($)	Change (%)
Cash and cash equivalents	$ 23,414	$ 44,585	$ (21,171)	-47.5%
Accounts receivable	23,117	45,507	(22,390)	-49.2%
Inventories	2,866	4,014	(1,148)	-28.6%
Prepaid expenses and other current assets	6,743	3,733	3,010	80.6%
Property, equipment and leaseholds	448,922	455,885	(6,963)	-1.5%
Future income taxes	17,366	13,099	4,267	32.6%
Deferred charges	920	953	(33)	-3.5%
Intangible assets	114,029	117,476	(3,447)	-2.9%
Goodwill	600,564	600,564	-	0.0%
Total Assets	**$ 1,237,941**	**$ 1,285,816**	**$ (47,875)**	**-3.7%**
Accounts payable and accrued liabilities	$ 62,895	$ 86,140	$ (23,245)	-27.0%
Distributions payable	6,001	6,001	-	0.0%
Income taxes payable	50	48	2	4.2%
Deferred revenue	61,446	76,929	(15,483)	-20.1%
Capital lease obligations - current portion	1,772	1,700	72	4.2%
Long-term debt	233,010	232,861	149	0.1%
Fair value of interest rate swap agreements	21,504	20,628	876	4.2%
Capital lease obligations - long-term portion	32,646	33,131	(485)	-1.5%
Accrued pension benefit liability	1,074	932	142	15.2%
Other liabilities	110,328	108,380	1,948	1.8%
Convertible debentures - liability component	100,099	99,834	265	0.3%
Total liabilities	630,825	666,584	(35,759)	-5.4%
Non-controlling interests	18,710	149,860	(131,150)	-87.5%
Unitholders' equity	588,406	469,372	119,034	25.4%
Total liabilities and unitholders' equity	**$ 1,237,941**	**$ 1,285,816**	**$ (47,875)**	**-3.7%**

Accounts receivable. The decrease in accounts receivable is due to the collection of receivables from the sale of gift cards and coupons, as well as the collection of media advertising revenues relating to the 2008 holiday period. December represents the busiest month for gift card and coupon sales, and is one of the busiest months for media sales.

Inventories. Inventories fluctuate primarily with anticipated business volumes, with an increase in inventories prior to the weekends which are the busiest time of the week at the theatre. The December 31 inventory balance was high due to preparations for the statutory holiday on January 1 and the continuation of the school holiday break, which results in higher theatre attendance than the first few days of April.

Prepaid expenses and other current assets. The increase in prepaid expenses and other current assets relates primarily to certain prepaid real estate tax installments which are paid during the first quarter.

Property, equipment and leaseholds. The decrease in property, equipment and leaseholds is due to amortization expenses ($17.3 million) offset by increased new build and other capital expenditures ($8.3 million) and maintenance capital expenditures ($2.0 million)

Future income taxes. The increase in future income taxes primarily relates to the recognition of additional future income taxes relating to the Fund's increased ownership interest in the Partnership as a result of the Onex exchange of units discussed in Section 1, Overview of the Fund, as well as the future income tax impact of the current quarter's activity.

Intangible assets. The decrease in intangible assets is due to amortization.

Accounts payable and accrued expenses. The decrease in accounts payable and accrued expenses relates to the settlement of year-end liabilities relating to increased business volumes in December 2008 as compared to March 2009.

Deferred revenue. Deferred revenue decreased primarily due to increased redemptions of gift cards and coupons sold during the holiday season in December 2008 offset by the traditionally slower gift card and coupon sales during the first quarter of 2009.

Other liabilities. Other liabilities increased $1.9 million mainly due to increases in non-cash occupancy liabilities driven by new theatre openings during the last two months of 2008.

Non-controlling interests. The decrease in the non-controlling interests balance arises from the Onex exchange of units described in Section 1, Overview of the Fund. As a result of this transaction, the non-controlling interest balance relating to the exchanged units was transferred into unit capital of the Fund.

7. LIQUIDITY AND CAPITAL RESOURCES

7.1 OPERATING ACTIVITIES

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

Cash provided by operating activities was $18.6 million for the three months ended March 31, 2009 compared to $8.8 million for the first quarter of 2008. The primary reasons for the change were the increase in net income for the period ($6.0 million, from a net loss of $2.3 million to a net income of $3.7 million) and increased tenant inducement receipts ($2.7 million).

7.2 INVESTING ACTIVITIES

Cash used in investing activities for the three months ended March 31, 2009 of $12.1 million related to capital expenditures ($12.5 million) and the final payment relating to the acquisition of the *Famous* magazines ($0.2 million), offset by cash acquired as a result of the exchange transaction discussed in Section 1, Overview of the Fund ($0.6 million). Cash used in investing activities for the three months ended March 31, 2008 of $6.5 million related to capital expenditures ($7.8 million) and a payment relating to the acquisition of the *Famous* magazines ($0.4 million), offset by proceeds from real estate transactions and the proceeds from the sale of theatre assets ($1.7 million). Capital expenditures were higher in the first quarter of 2009 as compared to the prior year period primarily due to expenditures related to a new property scheduled to open in the spring of 2009 as well as other theatre projects, as compared to one smaller theatre opened during the first half of 2008 and less other theatre building activity. Capital expenditures during the first quarter of 2009 include $2.7 million relating to the purchase of digital equipment, which is anticipated to be

reimbursed by a third-party digital integrator (2008 - $1.9 million). As of March 31, 2009, the Fund has spent $8.1 million on digital equipment.

The Fund funds maintenance capital expenditures through internally generated cash flow and cash on hand. The Fund's Revolving Facility (discussed in "Credit Facilities" below) is available to fund new theatre capital expenditures.

7.3 FINANCING ACTIVITIES

Cash used in financing activities for the three months ended March 31, 2009 of $27.6 million was due to distribution payments ($18.0 million), the acquisition of Fund Units for the LTIP ($9.2 million) and payments under capital leases ($0.4 million). Cash used in financing activities for the three months ended March 31, 2008 of $24.4 million was due to distribution payments ($17.1 million), the acquisition of Fund Units for the LTIP ($6.9 million) and payments under capital leases ($0.4 million).

The Fund 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 Second Amended Credit Facilities as described in "Credit Facilities".

7.4 CREDIT FACILITIES

The Fund's credit facilities are available through the Partnership's credit agreement with a syndicate of lenders consists of the following facilities (collectively, the "Second Amended Credit Facilities"):

In millions	Available	Drawn	Reserved (1)	Remaining
(i) a five-year senior secured revolving credit facility ("Revolving Facility")	$ 130.0	$ -	$ 1.3	$ 128.7
(ii) a five-year senior secured non-revolving term facility ("Term Facility")	$ 235.0	$ 235.0	$ -	$ -
(1) Letters of credit outstanding at March 31, 2009 of $1.3 million reserved against the Revolving Facility.				

The Second Amended Credit Facilities bear interest at a floating rate based on the Canadian dollar prime rate, or bankers acceptances rates plus, in each case, an applicable margin to those rates. These facilities amended and restated the Partnership's former amended credit facilities ("Former Amended Credit Facilities"). There are provisions to increase the Revolving Facility commitment amount by an additional $100.0 million with the consent of the lenders. The Term Facility matures in July 2012 and is payable in full at maturity, with no scheduled repayment of principal required prior to maturity.

During the three months ended March 31, 2009, the Fund borrowed and repaid $18.0 million under the Second Amended Credit Facilities. At March 31, 2009 the Fund had no amount outstanding under the Revolving Facility and $235.0 million outstanding under the Term Facility.

The Partnership's Second Amended Credit Facilities contain numerous restrictive covenants that limit the discretion of the Fund'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. One of the key financial covenants in the Second Amended Credit Facilities is the leverage covenant. As at March 31, 2009, the Fund's leverage ratio as calculated in accordance with the credit facility definition was 1.83x, as compared to a covenant of 3.00x. The definition of debt as per the credit facility includes long-term debt (excluding any convertible debentures), capital leases and letters of credit but does not include a reduction for cash on hand and excludes the Class C LP Units, which can be converted to equity. For the purposes of the credit facility definition, EBITDA is adjusted for certain non-cash, non-recurring items and the annualized impact of new theatres or

acquisitions. See Section 19, Financial Statements of the Partnership, for the Partnership's financial statements as at March 31, 2009.

The Second Amended Credit Facilities are secured by all of the Partnership's assets and are guaranteed by the Trust.

The Fund believes that the Second Amended Credit Facilities, in place until 2012, 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 despite the shortage of credit available in the financial markets due to the current economic conditions. However, the Fund's needs may change and in such event the Fund'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 Fund's control.

Interest rate swap agreements. Effective July 22, 2005, the Fund entered into three interest rate swap agreements. In accordance with the interest rate swap agreements, the Fund 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 agreement on the Former Amended Credit Facilities. These interest rate swap agreements have a term of four years in the aggregate notional principal amount outstanding of $200.0 million and mature in July 2009.

Effective April 23, 2008, the Fund entered into three interest rate swap agreements. Under these interest rate swap agreements, the Fund will pay a fixed rate of 3.97% per annum, plus an applicable margin, and will receive a floating rate of interest equal to the three-month Canadian deposit offering rate set quarterly in advance, with gross settlements quarterly. These interest rate swap agreements have a term of three years commencing in July 2009 and have an aggregate notional principal amount of $235.0 million.

The purpose of the interest rate swap agreements is to act as a cash flow hedge of the floating interest rate payable under the Partnership's Term Facility. The Fund considered its hedging relationships and determined that the interest rate swap agreements on its Term Facility qualify for hedge accounting in accordance with CICA Handbook Section 3865, *Hedges*. Under the provisions of CICA Handbook Section 3865, *Hedges*, the interest rate swap agreements are recorded on the balance sheet at their fair values, with subsequent changes in fair value recorded in either net income or other comprehensive income.

7.5 FUTURE OBLIGATIONS

At March 31, 2009, the Fund had aggregate gross capital commitments of $11.4 million ($11.0 million net of tenant inducements) related to the completion of construction of two theatre properties to include an aggregate of 20 screens over the next two years. In addition, the Fund has gross commitments over approximately the next two years of $21.9 million ($20.4 million net of tenant inducements) for other theatre projects.

The Fund has $105.0 million principal amount of Convertible Debentures outstanding that have a maturity date of December 31, 2012. At March 31, 2009, the liability component of the Convertible Debentures was recorded on the Fund's balance sheet at $100.1 million (March 31, 2008 - $99.0 million). The Convertible Debentures are being accreted to their maturity value using the effective interest method as prescribed by CICA Handbook Section 3855, *Financial Instruments – Recognition and Measurement*. 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 Fund conducts a significant part of its operations in leased premises. The Fund's leases generally provide for minimum rent and a number of the leases also include percentage rent based primarily upon sales

volume. The Fund'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 2005, the Fund and Famous Players sold 29 theatres to third parties, of which 24 were leased properties. The Fund is guarantor under the 24 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. At March 31, 2009, two of the disposed leased theatres have since closed, extinguishing the Fund's obligations for these properties.

During the first quarter of 2006, the Fund entered into an agreement with a third party to divest seven theatres, six of which were leased properties. The Fund is a guarantor under the six 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. During 2007, the Fund was notified that the guarantee provided to a landlord of one of the theatre properties disposed of had been triggered; this was settled for $4.5 million during the first quarter of 2007.

During 2006, the Fund entered into an agreement with a related party to divest its 49% share in the three remaining Alliance Atlantis branded theatres. The Fund is guarantor for its 49% share of the leases for the remainder of the lease term in the event that the purchaser of the Fund's share in the theatres does not fulfill its obligations under the respective lease. One of the disposed theatres closed during 2007, extinguishing the Fund's obligations for that property.

The Fund guarantees certain advertising revenues based on attendance levels for a majority of the theatres disposed to third parties.

No amounts have been provided in the consolidated financial statements for guarantees for which the Fund has not been notified of triggering events at March 31, 2009 in accordance with the transitional provisions for CICA Handbook Section 3855, *Financial Instruments – Recognition and Measurement*, the Fund assessed the fair value of these guarantees to be a nominal amount. Should the purchasers of the theatres fail to fulfill their lease commitment obligations, the Fund could face a substantial financial burden.

The Fund sponsors the Retirement Plan for Salaried Employees of Famous Players, a defined benefit pension plan (the "Plan"). Effective October 25, 2005, the Fund elected to freeze future accrual of defined benefits under the Plan and move continuing employees into the Fund's defined contribution plan for future accrual. As of December 31, 2007, no employees are accruing defined benefits under the Plan. Effective December 31, 2007, the Fund has declared a full wind-up of the Plan. An actuarial valuation has been filed with the Financial Services Commission of Ontario ("FSCO") and final regulatory approval of the wind-up was granted in December 2008. The Fund will make a one-time contribution to fund any deficiency in the funded status of the Plan to enable the settlement of all remaining defined benefit obligations. The settlement loss relating to the Plan is estimated to be $1.7 million, of which $1.1 million will be required to be paid in cash and will be expensed when the Plan is wound up.

8. DISTRIBUTABLE CASH AND DISTRIBUTIONS (see Section 18, Non-GAAP measures)

8.1 DISTRIBUTABLE CASH

The Fund distributes cash to its unitholders on a monthly basis. Although the Fund has made a distribution for each month of its operation, the amount and timing of distributions cannot be assured and are dependent upon operating performance, as cash available for distributions is received solely from operating cash flows of the Fund. The following table illustrates distributable cash per Fund Unit, distributions paid per Fund Unit, and the payout ratio of Fund distributions relative to distributable cash for the first quarter of 2009 compared to the prior year period:

Distributable cash	First Quarter		
	2009	2008	Change
Distributable cash per Fund Unit	$ 0.381	$ 0.328	16.1%
Distributions paid per Fund Unit	$ 0.315	$ 0.300	5.0%
Payout ratio	82.6%	91.4%	-9.6%

Measures relevant to the discussion of distributable cash per Fund Unit are as follows (expressed in thousands of dollars except Fund Units outstanding, per unit data and payout ratios):

	For the three months ended March 31,	
	2009	2008
Fund cash flows from operations	$ 18,557	$ 8,791
Fund net income (loss)	$ 3,703	$ (2,255)
Standardized distributable cash	$ 6,000	$ 974
Distributable cash	$ 21,783	$ 18,764
Distributable cash available to Fund Unitholders (i)	$ 20,913	$ 14,215
Cash distributions declared	$ 17,451	$ 12,989
Average number of Fund Units outstanding	54,867,332	43,295,326
Distributable cash per Fund Unit	$ 0.381	$ 0.328
Cash distributions declared per Fund Unit	$ 0.315	$ 0.300
Payout ratio	82.6%	91.4%

(i) Distributable cash available to Fund unitholders represents distributable cash, less the share of distributable cash due to the non-controlling direct partners of the Partnership.

For the three months ended March 31, 2009, standardized distributable cash increased $5.0 million to $6.0 million, from $1.0 million for the same period in 2008. See Section 18.2, Distributable Cash, for the definition of standardized distributable cash. The increase primarily reflects higher net income for the period ($6.0 million, from a loss of $2.3 million to net income of $3.7 million) and increased tenant inducement receipts ($2.7 million), offset by higher capital expenditures in 2009 ($4.8 million). For the first quarter, maintenance capital expenditures increased $1.2 million to $2.0 million in 2009, from $0.8 million in the first quarter of 2008.

Distributable cash was $21.8 million for the first quarter of 2009 as compared to $18.8 million during the first quarter of 2008. This $3.0 million increase was mainly due to increased cash generated from operating activities ($9.5 million) adjusted for changes in operating assets and liabilities and tenant inducement receipts ($5.3 million), which are not considered a source of distributable cash, and increased maintenance capital expenditures ($1.2 million).

The Fund historically has maintained a payout ratio lower than 100%, reflecting management's and the Board of Trustees' intention to provide cash returns to the Fund's unitholders while investing in future growth initiatives. The payout ratio for the Fund since its inception is 80.1%. Given the low payout ratio, management believes that despite the challenging economic climate in Canada, the Fund will be able to generate sufficient distributable cash to maintain cash distributions for the remainder of 2009 and beyond.

8.2 DISTRIBUTIONS

The Fund distributes cash to its unitholders on a monthly basis. Although the Fund has made a distribution for each month of its operation, the amount and timing of distributions cannot be assured and are dependent upon operating performance, as cash available for distributions is received solely from operating cash flows of the Fund's subsidiaries, including the Partnership.

Fund distributions are made on a monthly basis to unitholders of record on the last business day of each month. For the three months ended March 31, 2009 and 2008 the Fund declared distributions totaling $0.315 and $0.300 per Fund Unit, respectively. Effective for the May 2008 distribution, the Fund increased its monthly distribution from $0.100 to $0.105 per Fund Unit, or $1.26 per Fund Unit on an annualized basis from $1.20 per Fund unit. The Fund is entirely dependent on distributions from the Partnership and interest payments from GEI to make its own distributions.

The after-tax return to unitholders 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. The composition of distributions for tax purposes for each of the following years ended December 31 were as follows (in dollars per unit):

		Taxable Income		Capital Gain		Return of Capital	
	Distributions Declared	Amount	Percent of Distribution	Amount	Percent of Distribution	Amount	Percent of Distribution
2008	$1.24000	$1.17920	95.1%	$ -	-	$0.06080	4.9%
2007	$1.18320	$1.12356	95.0%	$ -	-	$0.05964	5.0%
2006	$1.14960	$1.07256	93.3%	$ -	-	$0.07704	6.7%
2005	$1.14960	$0.77328	67.3%	$0.19104	16.6%	$0.18528	16.1%

At December 31, 2008, based on substantively enacted tax rates and tax returns filed to that date, the Fund had tax pools of $618.0 million available to offset future taxable income. Use of these tax pools is restricted to a percentage claim based on the nature of the original expenditure.

9. FUND UNITS OUTSTANDING

The Fund had the following Fund Units outstanding for the three months ended March 31 (expressed in thousands of dollars, except for numbers of Fund Units):

	2009		2008	
	Number of Fund Units	Amount	Number of Fund Units	Amount
Opening balance – January 1				
Fund Units	43,414,217	$ 565,099	43,239,715	$ 562,960
Convertible debentures - equity component	-	8,546	-	8,546
LTIP compensation obligation	-	3,249	-	1,024
LTIP Fund Units	(332,426)	(5,493)	(117,491)	(1,802)
	43,081,791	571,401	43,122,224	570,728
Transactions during the period				
Issuance of Fund Units under the Exchange Agreement	11,985,818	134,403	174,502	2,139
LTIP compensation obligation, net of vested Fund Units	-	1,068	-	1,084
Purchase of LTIP Fund Units	(633,228)	(9,163)	(410,949)	(6,887)
Settlement of LTIP obligation through transfer of Fund Units to LTIP participants	406,509	6,251	196,014	3,196
	11,759,099	132,559	(40,433)	(468)
Closing balance – End of period				
Fund Units	55,400,035	699,502	43,414,217	565,099
Convertible debentures - equity component	-	8,546	-	8,546
LTIP compensation obligation	-	4,317	-	2,108
LTIP Fund Units	(559,145)	(8,405)	(332,426)	(5,493)
	54,840,890	$ 703,960	43,081,791	$ 570,260

The LTIP compensation is recorded as an accrued liability until the corresponding LTIP pool of funds is utilized to acquire Fund Units, at which point the liability is reclassified to unit capital, as the Fund is obligated to deliver a fixed number of Fund Units, the value of which will vary with the fair value of the Fund Units. Subsequent changes in the fair value of the Fund Units are not recognized.

Under terms of the Exchange Agreement, during the three months ended March 31, 2009, Onex exchanged its indirect interests in the Partnership for 11,985,818 Fund Units. Under terms of the Exchange Agreement, during the three months ended March 31, 2008, 45,502 Class B, Series 2-G LP Units and 129,000 Class D LP Units were exchanged for 174,502 Fund Units.

Class B LP Units of the Partnership and CELP 2007 LP Units may be exchanged for Fund Units on a one-for-one basis. The following Class B and CELP 2007 LP Units had not been exchanged for Fund Units at March 31, 2009 and 2008 (see Section 16, Subsequent event):

	Number of Units	
	2009	2008
Class B Series 1	16,890	626,589
Class B Series 2-G	1,733,762	1,733,762
CELP 2007 Class B	-	11,376,119
	1,750,652	13,736,470

The Fund has an incentive Fund Unit option plan for certain employees of the Fund. On February 12, 2008, 1,250,000 Fund Unit options with an exercise price equal to the market price of $17.03 were granted to 21 employees. During the first quarter of 2009, 5,000 of these Fund Unit options were cancelled. On

February 18, 2009, 1,250,000 Fund Unit options with an exercise price equal to the market price of $14.00 were granted to 21 employees. The options vest one-third on each of the successive anniversaries of the grant date, and expire five years after the grant date if unexercised.

The Fund anticipates that Fund Unit optionholders will exercise, and that the administrators of the Fund Unit option plan will settle the options for cash. The Fund, therefore, accounts for options issued under the plan as cash-settled liabilities. The options are recorded at fair value at each balance sheet date, based on the market price of Fund Units in excess of the exercise price, taking into account the Fund Unit options vested on a graded schedule. Forfeitures are recorded as they occur.

The Fund recorded an $11 thousand expense with respect to the Fund Unit options during the three months ended March 31, 2009, and no expense during the three months ended March 31, 2008.

10. SEASONALITY AND QUARTERLY RESULTS

Historically, the Fund's revenues have been seasonal, coinciding with the timing of major film releases by the major distributors. The most marketable motion pictures are generally released during the summer and the late-November through December holiday season. This may cause changes, from quarter to quarter in attendance levels, theatre staffing levels and reported results. More recently, the seasonality of motion picture exhibition attendance has become less pronounced as film studios have expanded the historical summer and holiday release windows and increased the number of heavily marketed films released during traditionally weaker periods. To meet working capital requirements during the traditionally lower-revenue quarters, the Fund has available for its use the Revolving Facility. As of March 31, 2009, there were no amounts drawn on the Revolving Facility.

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

	2009	2008				2007		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Box office revenue	$130,277	$122,797	$144,957	$126,357	$116,823	$105,542	$150,376	$120,066
Concession revenues	63,126	61,373	71,520	62,031	56,721	50,578	72,408	59,792
Other revenues	17,618	27,251	22,626	20,936	16,297	26,506	21,072	20,083
Total revenues	211,021	211,421	239,103	209,324	189,841	182,626	243,856	199,941
Film cost	65,940	62,360	76,212	67,706	58,932	53,485	80,057	63,445
Cost of concessions	12,924	12,192	14,690	13,657	11,653	10,379	14,842	12,955
Occupancy expense	40,150	38,390	38,541	38,637	39,347	38,140	42,366	39,910
Other operating expenses	50,721	52,212	52,370	46,712	45,252	46,921	46,205	43,042
General and administrative	11,372	11,220	9,500	9,998	9,567	9,442	9,932	8,450
Cost of operations	181,107	176,374	191,313	176,710	164,751	158,367	193,402	167,802
Income from operations	29,914	35,047	47,790	32,614	25,090	24,259	50,454	32,139
Net income (loss)	$ 3,703	$ 6,870	$ 18,378	$ 6,010	$ (2,255)	$ 6,133	$ 14,621	$ 11,423
Basic earnings per Fund Unit	$ 0.07	$ 0.16	$ 0.43	$ 0.14	$ (0.05)	$ 0.14	$ 0.34	$ 0.27
Diluted earnings per Fund Unit (i)	$ 0.07	$ 0.13	$ 0.39	$ 0.10	$ (0.07)	$ 0.11	$ 0.32	$ 0.21
Cash provided by operating activities	18,557	74,363	35,782	21,694	8,791	55,405	51,310	15,380
Cash used in investing activities	(12,149)	(34,527)	(13,808)	(6,369)	(6,546)	(9,817)	(11,686)	18,026
Cash used in financing activities	(27,579)	(18,408)	(18,402)	(17,823)	(24,416)	(17,522)	(46,095)	(12,029)
Net change in cash	$(21,171)	$ 21,428	$ 3,572	$ (2,498)	$(22,171)	$ 28,066	$ (6,471)	$ 21,377
Box office revenue per patron	$ 8.16	$ 8.06	$ 8.06	$ 8.08	$ 7.98	$ 8.07	$ 7.86	$ 7.98
Concession revenue per patron	$ 3.95	$ 4.03	$ 3.98	$ 3.97	$ 3.87	$ 3.87	$ 3.79	$ 3.97
Attendance (in thousands of patrons)	15,966	15,229	17,988	15,630	14,645	13,076	19,129	15,050

(i) Excludes the conversion of the Convertible Debentures as such conversion would be anti-dilutive.

Summary of distributable cash by quarter

Management calculates distributable cash per Fund Unit as follows (see Section 18, Non-GAAP measures, for a discussion of distributable cash) (expressed in thousands of dollars except per unit data and number of Fund Units outstanding):

	2009	2008				2007		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Cash provided by operating activities	$ 18,577	$ 74,363	$ 35,782	$ 21,694	$ 8,791	$ 55,405	$ 51,310	$ 15,380
Less: Total capital expenditures	(12,557)	(32,138)	(13,412)	(6,810)	(7,817)	(7,660)	(5,524)	(9,480)
Standardized distributable cash	6,000	42,225	22,370	14,884	974	47,745	45,786	5,900
Less:								
Changes in operating assets and liabilities	10,381	(39,072)	7,082	6,163	13,171	(34,541)	(5,121)	15,455
Tenant inducements	(4,560)	(5,112)	(736)	(447)	(1,818)	(1,820)	(932)	(2,535)
Principal component of capital lease obligations	(413)	(406)	(399)	(392)	(384)	(377)	(371)	(364)
Add:								
New build capital expenditures and other	10,542	28,333	10,280	2,992	6,983	3,637	3,631	6,506
Non-cash components in operating assets and liabilities	(167)	(168)	(164)	(162)	(162)	212	(178)	(178)
Expenses funded through integration and restructuring reserve	-	-	-	-	-	5	5	21
Distributable cash	$ 21,783	$ 25,800	$ 38,433	$ 23,038	$ 18,764	$ 14,861	$ 42,820	$ 24,805
Less: Non-controlling interests share	(870)	(6,201)	(9,238)	(5,537)	(4,549)	(3,617)	(10,423)	(6,081)
Distributable cash available to Fund unitholders	$ 20,913	$ 19,599	$ 29,195	$ 17,501	$ 14,215	$ 11,244	$ 32,397	$ 18,724
Average number of Fund Units outstanding	54,867,332	43,414,217	43,414,217	43,414,217	43,295,326	43,239,622	43,239,449	43,138,209
Distributable cash per Fund Unit	$ 0.381	$ 0.451	$ 0.672	$ 0.403	$ 0.328	$ 0.260	$ 0.749	$ 0.434

11. RELATED PARTY TRANSACTIONS

The Fund has entered into transactions with certain parties to which they are related as summarized below.

The Fund performs certain management and film booking services for joint ventures in which it is a partner. During the three months ended March 31, 2009, the Fund earned revenue in the amount of $0.1 million with respect to these services (2008 - $0.1 million).

Distributions paid by the Partnership to related parties during the three months ended March 31, 2009 and 2008 were as follows (in thousands of dollars):

	Three months ended March 31,	
	2009	2008
Fund	$ 10,368	$ 9,472
Onex and its subsidiaries	4,053	4,053
Other related parties	39	76

Distributions payable by the Partnership to related parties at March 31, 2009 and 2008 were as follows (in thousands of dollars):

	As at March 31,	
	2009	2008
Fund	$ 3,456	$ 3,175
Onex and its subsidiaries	1,351	1,348
Other related parties	13	13

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.

12. CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimates 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 Fund's consolidation of the Partnership and the Partnership's acquisition of other businesses, the assessment of theatre cash flows to identify potential asset impairments, the value of unredeemed loyalty points and of gift certificates that remain unutilized and in circulation for revenue recognition purposes, the film cost payable accrual and the determination of asset retirement obligations. The discussion on the methodology and assumptions underlying these critical accounting estimates, their effect on the Fund's results of operations and financial position for the past three years ended December 31, 2008 can be found in the Fund's MD&A for the year ended December 31, 2008. These estimates have not changed during the first quarter of 2009. There were no events that occurred during the three months ended March 31, 2009 that would indicate the Fund's property, equipment and leasehold assets, as well as its goodwill and intangible assets, had been impaired.

13. ACCOUNTING POLICIES

13.1 CHANGES IN ACCOUNTING POLICIES

In August 2008, the CICA issued Emerging Issues Committee ("EIC") EIC-171, *Future Income Tax Consequences of Exchangeable Interests in an Income Trust or Specified Investment Flow-Through*, which concludes that temporary differences associated with assets and liabilities attributable to exchangeable interests should not be recorded prior to the conversion of the exchangeable interests. The Fund implemented EIC-171 during the year ended December 31, 2008, resulting in a restatement of future income taxes and non-controlling interests for previously reported periods.

13.2 INITIAL ADOPTION OF ACCOUNTING POLICIES

In February 2008, the CICA issued Handbook Section 3064, *Goodwill and Intangible Assets*, which replaces CICA Handbook Section 3062, *Goodwill and Other Intangible Assets*, and CICA Handbook Section 3450, *Research and Development Costs*. The Fund adopted this standard on January 1, 2009 and the new standard had no effect on the consolidated financial statements of the Fund.

13.3 FUTURE CHANGES IN ACCOUNTING POLICIES

Management of the Fund reviews all changes to the CICA Handbook when issued. The following is a discussion of relevant items that were released, revised or will become effective after December 31, 2008:

In February 2008, the CICA confirmed that International Financial Reporting Standards ("IFRS") will be mandatory in Canada for profit-oriented publicly accountable entities for fiscal periods beginning on or after January 1, 2011. The Fund is analyzing the impact of IFRS on its consolidated financial statements. A project team has been set up to manage the transition to IFRS and to ensure successful implementation within the required timeframe. The project team has completed the scoping phase of the project and has moved into the evaluation phase. As the Fund is currently in the evaluation phase, management cannot reasonably estimate the impact of the adoption of IFRS on the Fund's consolidated financial statements.

In April 2008, the CICA issued EIC-170, *Conversion of an Unincorporated Entity to an Incorporated Entity*, which describes accounting and presentation by businesses that undergo such a conversion after the issuance of EIC-170. EIC-170 had no effect on the Fund's consolidated financial statements for the current year.

In January 2009, the CICA issued Handbook Section 1582, *Business Combinations*, which replaces CICA Handbook Section 1581, *Business Combinations*. The new standard must be adopted on or before January 1, 2011 and will be applied prospectively; previous business combinations will not be restated. While there will be no impact on the consolidated financial statements of the Fund upon adoption of the new standard, differences in recognition and measurement may result in materially different future financial position and results of operations from business combinations accounted for in accordance with the existing standard.

In January 2009, the CICA issued Handbook Section 1601, *Consolidated Financial Statements*, and CICA Handbook Section 1602, *Non-controlling Interests*, which together replace CICA Handbook Section 1600, *Consolidated Financial Statements*. The new standards must be adopted on or before January 1, 2011. The Fund is analyzing the impact on its consolidated financial statements.

14. RISK MANAGEMENT

The Fund is exposed to a number of risks in the normal course of business that have the potential to affect operating performance. The Fund has operating and risk management strategies and insurance programs to help minimize these operating risks.

During fiscal 2008, the Fund adopted an annual enterprise risk management assessment which is overseen by the Fund's executive management team and reported to the Board of Trustees. The enterprise risk management framework sets out principles and tools for identifying, evaluating, prioritizing and managing risk effectively and consistently across the Fund. During 2008, general economic conditions changed, impacting some of the risks discussed below. Where there is a significant impact, the changes are discussed in each section.

Industry Risk

The Fund's ability to operate successfully depends upon the availability, diversity and appeal of films, the ability of the Fund to license films and the performance of these films in the Fund's markets. The Fund primarily licenses first-run films, the success of which is dependent upon their quality, as well as on the marketing efforts of film studios and distributors. The Fund is actively working to diversify its entertainment offerings to include alternate programming and to move into other sources of revenue such as ecommerce and the SCENE loyalty program. Nonetheless, the Fund is highly dependent on film product and film performance, including the number and success of blockbuster films. A reduction in quality or quantity of film product or any disruption in the production or release of films, including a strike or threat of a strike, a reduction in the marketing efforts of film studios and distributors or a significant change in film release patterns, would have a negative effect on film attendance and adversely affect the Fund's business and results of operations.

Because of the long lead time required to produce a film, the Fund believes that the quantity and quality of film product will not be adversely affected in 2009. However, should the economic downturn continue for a prolonged period of time, there may be a reduction in film product in 2010 and years thereafter because of the reduced ability to finance films and the capital constraints on studios.

In 2008, seven major film distributors accounted for approximately 90% of the Fund's box office revenues, which is consistent with industry standards. A deterioration in the Fund's relationships with any of the major film distributors could affect its ability to negotiate film licenses on favourable terms or its ability to obtain commercially successful films. The Fund actively works on maintaining good relations with these distributors, as this affects its ability to negotiate commercially favourable licensing terms for first-run films or to obtain licenses at all.

The Fund competes with other film delivery methods, including cable and satellite television and DVDs, as well as pay-per-view services and downloads via the Internet. The release date of a film in other channels of distribution such as pay television or DVD is at the discretion of each distributor and earlier release windows for such alternative channels could have a negative impact on the Fund's business and results of operations. While release windows have stabilized in the past two years, the Fund continues to emphasize with film distributors the need to maintain reasonable release windows.

Competition Risk

The Fund competes in each of its local markets with other national and regional circuits and independent film exhibitors, particularly with respect to film licensing, attracting guests and acquiring and developing new theatre sites and acquiring existing theatres. Movie-goers are generally not brand conscious and usually choose a theatre based on its location, the films showing, show times available and the theatre's amenities.

As a result, the building of new theatres or the addition of screens to existing theatres by competitors in areas in which the Fund operates theatres may result in reduced attendance levels at the Fund's theatres.

Management fosters strong ties with the real estate and development community and monitors potential development sites closely. Most prime locations in larger markets have been developed such that further development would be generally uneconomical. In addition the exhibition industry is capital intensive with high operating costs and long-term contractual commitments. Rising construction and real estate costs make it increasingly difficult to develop new sites profitably reducing the risk of competition through development.

Technology Risk

The film exhibition industry is in the early stages of conversion from a physical film-based medium to a digital medium of film exhibition. Digital technology poses additional risks including increased capital costs, increased maintenance costs, and changing requirements for digital hardware. Recent developments indicate that the financial costs of the conversion to digital projection equipment is likely to be financed by third parties, with the funding to be covered by distributors through a virtual print fee. As such, it is anticipated that the Fund will not bear any material capital or increased operating costs to convert to digital projection. However, because of the challenges in the current credit markets, third party integrators have been unable to obtain financing. Thus the scheduled rollout of digital projectors to theatres has been delayed.

Technological advances and the conversion of films into digital formats have made it easier to create, transmit and "share" via downloading over the Internet or unauthorized copying, high quality copies of films in theatrical release. Some consumers may choose to obtain unauthorized copies of films rather than attending a theatre which may have an adverse effect on the Fund's business. In addition, as home theatre technology becomes more sophisticated, consumers may choose to stay home rather than attending a theatre. To mitigate these risks, the Fund continues to enhance the out-of-home experience through the addition of new technologies including 3D and digital projection in order to further differentiate the theatrical product from the home product.

The Fund needs an effective information technology infrastructure including hardware, networks, software, people and processes to effectively support the current and future needs of the business in an efficient, cost-effective and well-controlled fashion. The Fund is continually upgrading systems and infrastructure to meet business needs. The introduction of the Vista point of sale terminals at all theatres has allowed for efficient transaction processing and the execution of programs at the national level.

Customer Risk

The Fund competes for the public's leisure time and disposable income with other forms of entertainment including home theatre systems, sporting events, live music concerts, live theatre and restaurants. If the Fund is too aggressive in raising ticket prices or concession prices, there may be an adverse effect on attendance and concession revenues. Also, prolonged negative trends in the general economy may adversely affect consumer spending which may negatively affect movie theatre attendance. The Fund aims to deliver an affordable out-of-home entertainment experience. The Fund monitors pricing in all markets to ensure that it offers a reasonably priced out-of-home experience compared to other entertainment alternatives. In addition, historical data shows that the movie attendance has not been negatively affected by economic downturns over the past 25 years.

The Fund monitors customer needs to ensure that the out-of-home theatre experience meets the anticipated needs of key demographic groups. The Fund is differentiating the movie-going experience by providing VIP service and family entertainment centres in select theatres and by providing alternative programming which appeals to specific demographic groups. In addition, the advent of digital technology will allow for more niche programming. In the event that consumer preferences change, the Fund may need to incur further capital expenditures to redevelop existing locations.

The Fund is dependent on its theatre locations to provide a satisfactory entertainment experience. If the Fund's execution of processes does not consistently meet or exceed customer expectations due to a lack of focus on the customer, movie attendance may be adversely affected. The Fund monitors customer satisfaction through surveys, mystery shops, and focus groups and maintains a guest services department to address customer complaints. Guest satisfaction is tied to performance measures for theatre management ensuring alignment between corporate and operational objectives.

The Fund continues to pursue other revenue opportunities such as advertising, games, promotions and alternative uses of its theatres during non-peak hours. The Fund's ability to achieve its business objectives may depend in part on its ability to successfully increase these revenue streams. A general decline in media spending is expected during the economic downturn creating uncertainty about the impact on the Fund's media revenue stream. The Fund monitors customer satisfaction with advertising through customer satisfaction surveys and has introduced more entertainment content into its pre-show advertising and set limits on rolling stock advertising in order to maintain satisfaction in this area.

Human Resources Risk

The success of the Fund depends upon the retention of senior executive management, including Ellis Jacob. The loss of services of one or more members of the executive management team could adversely affect the Fund's business, results of operations and the Fund's ability to effectively pursue its business strategy. The Fund does not maintain key-man life insurance for any of its employees but does provide a long-term incentive program to retain key personnel.

Approximately 91% of the employees of the Fund are hourly workers whose compensation is based on the prevailing provincial minimum wages with incremental adjustments as required to match market conditions. Any increase in these minimum wages will increase employee related costs. Approximately 4% of the Fund's employees are represented by unions, which are almost exclusively in Quebec. Because of the small percentage of employees represented by unions, the risk of labour disruption is low.

Real Estate Risk

The acquisition and development of new theatre sites to be operated by the Fund is dependent on the ability of the Fund to identify, acquire and develop suitable sites for potential theatre locations in both new and existing markets. The cost to develop a new theatre is substantial, but its success is not assured. While the Fund is careful in selecting sites for new theatres, the significant time lag from identifying a new site to theatre opening can result in a change in local market circumstances and could negatively impact the theatre's chance of success. In addition, the building of new theatres may draw audiences away from less appealing older theatres owned by the Fund. The Fund considers the overall return for the theatres in a geographic area when making the decision to build a new theatre.

The majority of the Fund's theatres are subject to long-term leases. In accordance with the terms of these leases, the Fund is responsible for costs associated with utilities consumed at the theatre and property taxes associated with the theatre. The Fund has no control over these costs and these costs have been increasing over the last number of years.

The Fund may also continue to be liable for obligations under theatre leases in respect of divested theatres. If the transferee of such theatres fails to satisfy the obligations under such leases, the Fund may be adversely affected. If the current economic downturn impacts the business of the transferee, the Fund may need to assume the lease obligations.

Financial Markets Risk

The Fund requires efficient access to capital in order to fuel growth, execute strategies, and generate future financial returns. For this reason the Fund has established credit facilities at favourable rates. The Fund has $130.0 million available in a revolving credit facility which does not mature until 2012, protecting the Fund from any uncertainty in near term refinancing. However, if the current economic downturn causes a significant disruption in the capital markets, the Fund's ability to finance sizable acquisitions may be impaired.

The Fund hedges interest rates, thereby minimizing the impact of significant fluctations in the market rates. The Fund's exposure to currency and commodity risk is minimal as the majority of its transactions are in Canadian dollars and commodity costs are not a significant component of the overall cost structure.

Sourcing Risk

Substantially all of the Fund's beverage concessions are products of one major beverage company. If this relationship was disrupted, the Fund may be forced to negotiate a substitute arrangement that could be less favourable to the Fund than the current arrangement. Any such disruptions could therefore increase the cost of concessions and harm the Fund's operating margins, which would adversely affect its business and results of operations.

The Fund relies on a single company for the distribution of a substantial portion of its concession supplies. If this distribution relationship were disrupted, the Fund could be forced to negotiate a number of substitute arrangements with alternative distributors that could, in the aggregate, be less favourable to the Fund than the current arrangement.

The Fund has had no indication that the current economic downturn will affect the viability of these relationships.

Health and Safety Risk

The Fund is in compliance with health and safety legislation and conducts employee awareness and training programs on a regular basis.

Business Continuity Risk

The Fund purchases insurance coverage from third-party insurance companies to cover certain operational risks, and is self-insured for other matters.

The Fund's primary source of revenue is derived from providing an out-of-home entertainment experience. A terrorist threat or the outbreak of a pandemic may cause people to stay away from public places including movie theatres which would significantly impact business results. The Fund operates in six provinces which somewhat mitigates the risk to a specific location. The Fund also has communications and public relations plans to deal with crises of this nature. However, should there be a national threat, it is uncertain to what extent the Fund could mitigate this risk.

Legal, Taxation, and Accounting Risk

Changes to any of the various federal and provincial laws, rules and regulations related to the Fund's business could have a material impact on its financial results. Compliance with any proposed changes could also result in significant cost to the Fund. Failure to fully comply with various laws, rules and regulations may expose the Fund to proceedings which may materially affect its performance.

To mitigate these risks, the Fund uses third party tax and legal experts to assist in structuring significant transactions and contracts. The Fund also has systems and controls that ensure the timely production of financial information in order to meet regulatory requirements and has implemented disclosure controls and internal controls over financial reporting which are tested for effectiveness on an ongoing basis. In addition the Fund promotes a strong ethical culture through its values and code of conduct.

In 2007, legislation was enacted whereby the income tax rules applicable to certain publicly traded or listed trusts and partnerships will be significantly modified to tax certain income and distributions made by these entities. The changes become effective in the trust's 2011 taxation year or immediately if the trust exceeds normal growth, which is defined as the issue of new equity over the four year period 2007 – 2010 greater than its market capitalization as of October 31, 2006. The legislation may adversely affect the marketability of the Fund's units and the ability of the Fund to undertake financings and acquisitions, and, at such time as the rules apply to the Fund, its distributable cash may be materially reduced. In addition, the Fund may undertake a reorganization in response to these rules, possibly before the commencement of its 2011 taxation year. There can be no assurance that such a reorganization, if undertaken, will not give rise to adverse Canadian or U.S. income tax consequences.

Information Management Risk

The Fund requires relevant and reliable information to support the execution of the business model and reporting on performance. The integrity, reliability and security of information are critical to the Fund's daily and strategic operations. Inaccurate, incomplete or unavailable information or inappropriate access to information could lead to incorrect financial or operational reporting, poor decisions, privacy breaches or inappropriate disclosure of sensitive information. The Fund is working to strengthen general information technology controls by developing operating policies and procedures in the areas of change management, computer operations and security access.

The Fund's Annual Information Form dated March 31, 2009 is available on www.sedar.com and contains additional risks related to an investment in Fund Units.

15. CONTROLS AND PROCEDURES

15.1 DISCLOSURE CONTROLS AND PROCEDURES

Management of the Fund is responsible for establishing and maintaining disclosure controls and procedures for the Fund as defined under National Instrument 52-109 issued by the Canadian Securities Administrators. Management has designed such disclosure controls and procedures, or caused them to be designed under its supervision, to provide reasonable assurance that material information relating to the Fund, including its consolidated subsidiaries, is made known to the Chief Executive Officer and the Chief Financial Officer by others within those entities, particularly during the period in which the annual filings are being prepared.

15.2 INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management of the Fund is responsible for designing and evaluating the effectiveness of internal controls over financial reporting for the Fund as defined under National Instrument 52-109 issued by the Canadian Securities Administrators. Management has designed such internal controls over financial reporting, or caused them to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with GAAP.

There has been no change in the Fund's internal controls over financial reporting that occurred during the most recently completed interim period that has materially affected, or is reasonably likely to materially affect, the Fund's internal control over financial reporting.

16. SUBSEQUENT EVENTS

16.1 UNIT EXCHANGE

On April 21, 2009, under the provisions of the Exchange Agreement, Onex exchanged interests in the Partnership for 1,466,369 Fund Units and sold 12,956,885 Fund Units in a bought deal offering. As a result of the exchange, the Fund increased its indirect ownership in the Partnership to approximately 99.5%.

16.2 ONSITE MEDIA NETWORK PURCHASE

On April 8, 2009, the Fund announced that it had signed a binding agreement with Onsite pursuant to which the Partnership would acquire all of the issued and outstanding shares of Onsite through a shareholder-approved Plan of Arrangement. Onsite is an Alberta-based digital signage network company that broadcasts advertising and custom content to premium office towers and sports stadiums across Canada. The total transaction value is approximately $1.7 million. The transaction closed on April 30, 2009.

17. OUTLOOK

The following discussion is qualified in its entirety by the caution regarding forward-looking statements at the beginning of this MD&A and Section 14, Risk management.

To date, the Fund's core exhibition business has not been negatively impacted by the current economic environment. First quarter box office was up 11.5% as compared to the prior year and the Fund reported the strongest first quarter results in its history. The film exhibition industry is in the process of converting over to digital projection technology, including the selected installation of 3D capable systems. It is expected that the conversion to digital projection will take one and a half to two years to complete. To date, the Fund has 122 digital projectors installed in 69 theatres, including 88 screens with RealD 3D Technology. The Fund has a commitment to install RealD 3D systems on 175 screens, and plans to add an additional 34 systems during the second quarter of 2009. The Fund believes that 3D technology will provide an enhanced guest experience and will continue to charge a ticket price premium for 3D films and events. Aside from 3D feature films, it is expected that alternative programming events such as sporting events and concerts will be broadcast in 3D in the near future, providing an exciting alternative for the cost conscious consumer.

Given the lead time in the film production schedules, any reductions in film financing due to current credit and economic environments are not expected to impact the exhibition industry until 2010 or thereafter. The Fund may be impacted by the reduction of films but the operating results are impacted more by the quality of product and financial success of a limited number of films rather than the number of films produced. Additionally, the Fund's average screen count of 10.2 screens per location can be more effectively managed with fewer film titles available.

From a merchandising perspective, the Fund has continued to show growth in the average spend per patron over the past five years and continued to report record CPP amounts in the past three quarters, the only reported quarters to date which would be impacted by the recent economic environment. Although pricing does impact the average spend per patron, the Fund's core focus is on operational execution and providing the optimal product mix to provide further growth in this area.

The Fund believes that cinema advertising is a compelling media offering which is supported by a significant amount of third party evidence and research. Cinema advertising provides an effective medium to reach the 17-25 demographic. This demographic is a significant proportion of overall attendance and is a more

challenging demographic to reach through other traditional media vehicles. The Fund continues to enhance its media offerings, including enhanced website opportunities and a digital media lobby network which will be implemented throughout 2009. As noted above in Section 16, Subsequent Events, the Fund's acquisition of Onsite closed on April 30, 2009, which will expand the Fund's media business into new venues, providing the opportunity for revenue growth. It is expected that many companies will reduce their advertising and marketing budgets for 2009 as compared to 2008 in response to the uncertainties relating to the global financial crisis. Although the Fund continues to expand its offerings and provides a compelling media solution, it has and may continue to be impacted in the near term by this general decline in media spending.

Throughout 2007 and 2008, the Fund continued to invest in two key initiatives: the SCENE loyalty program and web-based initiatives including e-commerce. The Fund is looking to extract the benefits of these programs throughout 2009 and thereafter. These benefits are expected to include increased frequency of visitation by SCENE members and additional revenue opportunities through the use of the database and additional partnership agreements. The SCENE loyalty program continues to grow at a significant rate, with more than 200,000 new members joining the program in the first quarter of 2009.

Although general economic conditions deteriorated throughout 2008 and into the first quarter of 2009, the Fund was pleased to report its strongest first quarter results since its inception, following the reporting of its strongest annual results since its inception for the year ended December 31, 2008. The Fund reported record amounts for total revenue, EBITDA, attendance, average ticket price, concession spend per person, media revenue, other revenue and distributable cash per unit, all key success indicators in both the first quarter of 2009 and for the full year of 2008.

The Fund generated distributable cash per unit of $0.381 per unit and paid out $0.315 per unit for a payout ratio of approximately 82% in the first quarter of 2009. During the twelve months ended March 31, 2009 and 2008, the Fund generated distributable cash of $1.908 and $1.772, respectively, as compared to declared distributions of $1.255 and $1.196, respectively. The payout ratios for these periods were approximately 66% and 68%, respectively. Given the relatively low payout ratio from what has traditionally been the Fund's weakest quarter of the year, the Fund believes that it can support the current level of distributions even with a potential short-term decline in business as a result of the current economic environment.

The Fund's credit facility matures in 2012 and it is therefore not subject to the refinancing risks associated with the current credit environment. The Fund has a $130.0 million revolving credit facility which is available to finance acquisitions, new theatre construction, working capital and distributions. As defined under its credit facility as at March 31, 2009, the Fund reported a leverage ratio of 1.83x as compared to a covenant of 3.00x. Given this wide spread, the Fund believes that its covenant compliance risk is minimal. Between the distributable cash flow generated in excess of the distributions paid and amounts available under its credit facility, the Fund believes that it has sufficient financial resources to meet its ongoing requirements for capital expenditures, investments in working capital and distributions. However, the Fund's needs may change and in such event the Fund'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 Fund's control.

18. NON-GAAP MEASURES

The following measures included in this MD&A do not have a standardized meaning under GAAP and may not be comparable to similar measures provided by other issuers. The Fund includes these measures because its management believes that they assist investors in assessing financial performance.

18.1 EBITDA and Adjusted EBITDA

Management defines EBITDA as earnings before interest income and expense, income taxes and amortization expense. Adjusted EBITDA excludes the loss on disposal of theatre assets, loss from discontinued operations and the impact of the Fund's non-controlling interest. The Fund's 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 non-GAAP measures generally used as an indicator of financial performance and they should not be seen as a measure of liquidity or a substitute for comparable metrics prepared in accordance with GAAP. The Fund's EBITDA and adjusted EBITDA may differ from similar calculations as reported by other entities and accordingly may not be comparable to EBITDA or adjusted EBITDA as reported by other entities.

The following represents management's calculation of EBITDA and adjusted EBITDA (expressed in thousands of dollars):

	Three months ended March 31,	
	2009	2008
Net income	$ 3,703	$ (2,255)
Amortization	20,864	21,102
Interest on long-term debt and capital lease obligations	6,050	6,429
Interest income	(125)	(297)
Income tax expense (recovery)	(730)	1,532
EBITDA	29,762	26,511
Non-controlling interest	157	(1,732)
(Gain) loss on disposal of theatre assets	(5)	311
Adjusted EBITDA	$ 29,914	$ 25,090

18.2 Distributable Cash

Distributable cash is the amount available for distribution to the Fund's unitholders based on the operating cash flows and capital maintenance of the Fund, as calculated by management. Distributable cash is a non-GAAP measure generally used by Canadian open-ended trusts and other flow-through entities as an indicator of financial performance, and it should not be viewed as a measure of liquidity or a substitute for comparable metrics prepared in accordance with GAAP. Standardized distributable cash is a non-GAAP measure recommended by the Canadian Institute of Chartered Accountants ("CICA") in its July 2007 interpretive release, *Standardized Distributable Cash in Income Trusts and Other Flow-Through Entities*, and is designed to enhance comparability.

Management presents standardized distributable cash and distributable cash per Fund Unit because they are key measures used by investors to value and assess the Fund.

Management defines distributable cash as standardized distributable cash adjusted for certain items, and considers distributable cash the amount available for distribution to unitholders. Standardized distributable cash is defined by the CICA as cash from operating activities as reported in the GAAP financial statements, less total capital expenditures and any restrictions on distributions arising from compliance with financial covenants and limitations arising from the existence of a minority interest of a subsidiary. Distributable cash available to Fund unitholders represents distributable cash, less the share of distributable cash due to the non-controlling direct partners of the Partnership.

Management calculates distributable cash per Fund Unit as follows (expressed in thousands of dollars except Fund Units outstanding and per unit data):

	For the three months ended March 31,	
	2009	2008
Cash provided by operating activities	$ 18,557	$ 8,791
Less: Total capital expenditures	(12,557)	(7,817)
Standardized distributable cash	6,000	974
Less:		
Changes in operating assets and liabilities (i)	10,381	13,171
Tenant inducements (ii)	(4,560)	(1,818)
Principal component of capital lease obligations	(413)	(384)
Add:		
New build capital expenditures and other (iii)	10,542	6,983
Non-cash components in operating assets and liabilities (iv)	(167)	(162)
Distributable cash	$ 21,783	$ 18,764
Less: Non-controlling interests share of distributable cash	(870)	(4,549)
Distributable cash available to Fund unitholders	$ 20,913	$ 14,215
Average number of Fund Units outstanding	54,867,332	43,295,326
Distributable cash per Fund Unit	$ 0.381	$ 0.328

(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.
(iii) New build capital expenditures and other represent expenditures on Board approved projects as well as any expenditures for digital equipment anticipated to be reimbursed by a third-party digital integrator, and exclude maintenance capital expenditures. The Partnership's Revolving Facility (discussed above under "Liquidity and capital resources – Credit Facilities") is available to the Fund for use to fund Board approved projects.
(iv) Certain non-cash components of other assets and liabilities are indirectly excluded from distributable cash to the extent they reflect permanent, not timing differences. Such items include the amortization of deferred gains on sale-leaseback transactions and non-cash pension adjustments relating to the Fund's acquisition of the Partnership.

Alternatively, the calculation of distributable cash and distributable cash available to Fund unitholders using the income statement as a reference point would be as follows (expressed in thousands of dollars):

	For the three months ended March 31,	
	2009	2008
Income before undernoted	$ 29,914	$ 25,090
Adjust for:		
Interest on long-term debt and capital lease obligations	(4,214)	(4,589)
Interest on convertible debentures, net of accretion expense	(1,571)	(1,583)
Interest income	125	297
(Provision for) recovery of income taxes - current portion	(7)	5
Maintenance capital expenditures	(2,015)	(834)
Principal component of capital lease obligations	(413)	(384)
Non-cash items:		
Amortization of tenant inducements, rent averaging liabilities and fair value lease contract assets	(28)	269
Amortization of debt issuance costs	149	147
Other non-cash items (i)	(157)	346
Distributable cash	$ 21,783	$ 18,764
Less: Non-controlling interests share of distributable cash	(870)	(4,549)
Distributable cash available to Fund unitholders	$ 20,913	$ 14,215

(i) Includes amortization of deferred gains on sale-leaseback transactions, non-cash pension adjustments relating to the Fund's acquisition of the Partnership and non-cash movement in the fair value of the interest rate swap agreements.

18.3 Other non-GAAP measurements monitored by management.

Management uses the following non-GAAP measurements as indicators of performance for the Fund.

Box office per patron: Calculated as total box office revenues divided by total paid attendance for the year.

Concession revenue per patron: Calculated as total concession revenues divided by total paid attendance for the year.

Film cost percentage: Calculated as total film cost expense divided by total box office revenues for the year.

Concession cost percentage: Calculated as total concession costs divided by total concession revenues for the year.

Attendance: Attendance is calculated as the total number of paying patrons that frequent the Fund's theatres during the year.

Payout ratio: Distributions paid per Fund Unit divided by distributable cash per Fund Unit.

19. CONSOLIDATED FINANCIAL STATEMENTS OF THE PARTNERSHIP

The following Interim Consolidated Balance Sheets for the Partnership at March 31, 2009 and December 31, 2008, Interim Consolidated Statements of Operations, Interim Consolidated Statements of Partners' Deficiency and Comprehensive Income (Loss) and Interim Consolidated Statements of Cash Flows for the Partnership for the three months ended March 31, 2009 and 2008 are presented to provide comparable results to prior periods.

CINEPLEX ENTERTAINMENT LIMITED PARTNERSHIP
INTERIM CONSOLIDATED BALANCE SHEETS
(unaudited)
(expressed in thousands of dollars)

	March 31, 2009	December 31, 2008
Assets		
Current assets		
Cash and cash equivalents	$ 21,230	$ 43,187
Accounts receivable	22,769	45,507
Inventories	2,866	4,014
Prepaid expenses and other current assets	6,750	3,733
Due from related parties	6	6
	53,621	96,447
Property, equipment and leaseholds	419,134	423,975
Future income taxes	6,256	6,105
Deferred charges	920	953
Intangible assets	45,889	47,273
Goodwill	200,301	200,301
	$ 726,121	$ 775,054
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	$ 60,233	$ 84,833
Distributions payable	4,834	4,834
Due to related parties	1,205	-
Income taxes payable	50	48
Deferred revenue	61,446	76,929
Capital lease obligations - current portion	1,772	1,700
	129,540	168,344
Long-term debt	233,010	232,861
Fair value of interest rate swap agreements	21,504	20,628
Capital lease obligations - long term portion	32,646	33,131
Due to Cineplex Galaxy Trust	100,000	100,000
Accrued pension benefit liability	1,238	1,151
Other liabilities	152,840	152,009
Class C Limited Partnership Units - liability component	104,995	104,995
	775,773	813,119
Partners' Deficiency	(49,652)	(38,065)
	$ 726,121	$ 775,054

CINEPLEX ENTERTAINMENT LIMITED PARTNERSHIP
INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)
(expressed in thousands of dollars)

	Three months ended March 31, 2009	Three months ended March 31, 2008
Revenues		
Box office	$ 130,277	$ 116,823
Concessions	63,126	56,721
Other	17,618	16,297
	211,021	189,841
Expenses		
Film cost	65,940	58,932
Cost of concessions	12,924	11,653
Occupancy	39,116	38,323
Other operating	50,721	45,252
General and administrative	11,209	9,513
	179,910	163,673
Income before undernoted	31,111	26,168
Amortization	16,595	16,874
(Gain) loss on disposal of theatre assets	(5)	311
Interest on long-term debt and capital lease obligations	5,790	6,840
Interest on loan from Cineplex Galaxy Trust	3,500	3,500
Interest income	(123)	(286)
Income (loss) before income taxes	5,354	(1,071)
Provision for (recovery of) income taxes		
Current	7	(5)
Future	(151)	(408)
	(144)	(413)
Net income (loss)	$ 5,498	$ (658)

CINEPLEX ENTERTAINMENT LIMITED PARTNERSHIP
INTERIM CONSOLIDATED STATEMENTS OF PARTNERS' (DEFICIENCY) EQUITY AND COMPREHENSIVE INCOME (LOSS)
(unaudited)
(expressed in thousands of dollars)

For the three months ended March 31, 2009

	Accumulated income	Accumulated distributions	Accumulated distributions in excess of accumulated income	Accumulated other comprehensive loss	Partners' capital	Formation of Partnership deficit	Total Partners' deficiency	Comprehensive income
Balance - December 31, 2008	$ 118,908	$ (250,893)	**$ (131,985)**	$ (19,865)	$ 261,580	$ (147,795)	**$ (38,065)**	**$ -**
Distributions declared	-	(14,503)	**(14,503)**	-	-	-	**(14,503)**	-
Investment in Cineplex Galaxy Income Fund units	-	-	-	-	(2,912)	-	**(2,912)**	-
LTIP compensation obligation	-	-	-	-	176	-	**176**	-
Net income	5,498	-	**5,498**	-	-	-	**5,498**	**5,498**
Other comprehensive income - interest rate swap agreements	-	-	-	154	-	-	**154**	**154**
Comprehensive income for the period	-	-	-	-	-	-	-	**$ 5,652**
Balance – March 31, 2009	$ 124,406	$ (265,396)	**$ (140,990)**	$ (19,711)	$ 258,844	$ (147,795)	**$(49,652)**	

The sum of accumulated distributions in excess of accumulated income and accumulated other comprehensive loss as at March 31, 2009 is $160,701.

For the three months ended March 31, 2008

	Accumulated income	Accumulated distributions	Accumulated distributions in excess of accumulated income	Accumulated other comprehensive income	Partners' capital	Formation of Partnership deficit	Total Partners' equity	Comprehensive loss
Balance – December 31, 2007	$ 84,338	$ (194,026)	**$ (109,688)**	$ 974	$ 262,341	$ (147,795)	**$ 5,832**	**$ -**
Distributions declared	-	(13,645)	**(13,645)**	-	-	-	**(13,645)**	-
Investment in Cineplex Galaxy Income Fund units	-	-	-	-	(3,691)	-	**(3,691)**	-
LTIP compensation obligation	-	-	-	-	1,427	-	**1,427**	-
Net loss	(658)	-	**(658)**	-	-	-	**(658)**	**(658)**
Other comprehensive loss – interest rate swap agreements	-	-	-	(2,700)	-	-	**(2,700)**	**(2,700)**
Comprehensive loss for the period	-	-	-	-	-	-	-	$ **(3,358)**
Balance –March 31, 2008	$ 83,680	$ (207,671)	**$ (123,991)**	$ (1,726)	$ 260,077	$ (147,795)	**$ (13,435)**	

The sum of accumulated distributions in excess of accumulated income and accumulated other comprehensive loss as at March 31, 2008 is $125,717.

CINEPLEX ENTERTAINMENT LIMITED PARTNERSHIP
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)
(expressed in thousands of dollars)

	Three months ended March 31, 2009	Three months ended March 31, 2008
Cash provided by (used in)		
Operating activities		
Net income (loss)	$ 5,498	$ (658)
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Amortization of property, equipment and leaseholds, deferred charges and intangible assets	16,595	16,874
Amortization of tenant inducements, rent averaging liabilities and fair value lease contract liabilities	(1,062)	(754)
Amortization of debt issuance costs	149	147
(Gain) loss on disposal of theatre assets	(5)	311
Future income taxes	(151)	(408)
Cash flow hedges - non cash interest	10	508
Tenant inducements	4,560	1,818
Changes in operating assets and liabilities	(10,684)	(12,558)
	14,910	5,280
Investing activities		
Proceeds from sale of theatre assets	-	1,658
Purchases of property, equipment and leaseholds	(12,557)	(7,817)
Acquisition of Famous branded magazines	(231)	(387)
	(12,788)	(6,546)
Financing activities		
Distributions paid	(14,503)	(13,645)
Borrowings under credit facility	18,000	-
Repayment of credit facility	(18,000)	-
Payments under capital leases	(413)	(384)
Investment in Cineplex Galaxy Income Fund units	(9,163)	(6,887)
	(24,079)	(20,916)
Decrease in cash and cash equivalents during the period	(21,957)	(22,182)
Cash and cash equivalents - Beginning of period	43,187	42,906
Cash and cash equivalents - End of period	$ 21,230	$ 20,724
Supplemental information		
Cash paid for interest	$ 6,277	$ 6,925
Cash paid for income taxes - net	5	-

The following table illustrates the consolidation adjustments that result in the differences between the statements of operations of the Partnership compared to the statement of operations for the Fund for the three ended March 31, 2009:

	Partnership three months ended March 31, 2009	Consolidation adjustments		Fund three months ended March 31,2009
Revenues				
Box office	$ 130,277	$ -		$ 130,277
Concessions	63,126	-		63,126
Other	17,618	-		17,618
	211,021	-		211,021
Expenses				
Film cost	65,940	-		65,940
Cost of concessions	12,924	-		12,924
Occupancy	39,116	1,034	(i)	40,150
Other operating	50,721	-		50,721
General and administrative	11,209	163	(ii)	11,372
	179,910	1,197		181,107
Income before undernoted	31,111	(1,197)		29,914
Amortization	16,595	4,269	(i)	20,864
Gain on disposal of theatre assets	(5)	-		(5)
Interest and accretion on convertible debentures	-	1,836	(iii)	1,836
Interest on long-term debt and capital lease obligations	5,790	(1,576)	(iv)	4,214
Interest on loan from Cineplex Galaxy Trust	3,500	(3,500)	(iv)	-
Interest income	(123)	(2)	(v)	(125)
Income before income taxes and non-controlling interests	5,354	(2,224)		3,130
Provision for (recovery of) income taxes				
Current	7	-		7
Future	(151)	(586)	(vi)	(737)
	(144)	(586)		(730)
Income before non-controlling interests	5,498	(1,638)		3,860
Non-controlling interests	-	157	(vii)	157
Net income	$ 5,498	$ (1,795)		$ 3,703

(i) Amounts relate to step acquisition valuation differences.
(ii) Relates to step acquisition valuation differences and ongoing administration expenses arising as a result of the January 5, 2009 exchange of units.
(iii) Fund's interest and accretion on its Convertible Debentures
(iv) Consolidation adjustments to eliminate transactions between the Fund and the Partnership.
(v) Interest income earned at the Fund level.
(vi) Fund's future income tax recovery.
(vii) Represents the non-controlling interests of the Partnership arising from the consolidation of the Fund and the Partnership.

Cineplex Galaxy Income Fund

Interim Consolidated Balance Sheets
(Unaudited)

(expressed in thousands of Canadian dollars)

	March 31, 2009	December 31, 2008
Assets		
Current assets		
Cash and cash equivalents	$ 23,414	$ 44,585
Accounts receivable	23,117	45,507
Inventories	2,866	4,014
Prepaid expenses and other current assets	6,743	3,733
	56,140	97,839
Property, equipment and leaseholds	448,922	455,885
Future income taxes (notes 2 and 3)	17,366	13,099
Deferred charges	920	953
Intangible assets	114,029	117,476
Goodwill	600,564	600,564
	$ 1,237,941	$ 1,285,816

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

Cineplex Galaxy Income Fund

Interim Consolidated Balance Sheets …*continued*
(Unaudited)

(expressed in thousands of Canadian dollars)

	March 31, 2009	December 31, 2008
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	$ 62,895	$ 86,140
Distributions payable (note 4)	6,001	6,001
Income taxes payable	50	48
Deferred revenue	61,446	76,929
Capital lease obligations - current portion	1,772	1,700
	132,164	170,818
Long-term debt	233,010	232,861
Fair value of interest rate swap agreements	21,504	20,628
Capital lease obligations - long-term portion	32,646	33,131
Accrued pension benefit liability	1,074	932
Other liabilities	110,328	108,380
Convertible debentures - liability component	100,099	99,834
	630,825	666,584
Non-controlling interests (note 2)	18,710	149,860
Unitholders' Equity	588,406	469,372
	$ 1,237,941	$ 1,285,816

Approved by the Board of Trustees

"Howard Beck"
Trustee

"Robert Steacy"
Trustee

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

Cineplex Galaxy Income Fund

Interim Consolidated Statements of Operations
(Unaudited)

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

	Three months ended March 31, 2009	Three months ended March 31, 2008 (Revised - note 3)
Revenues		
Box office	$ 130,277	$ 116,823
Concessions	63,126	56,721
Other	17,618	16,297
	211,021	189,841
Expenses		
Film cost	65,940	58,932
Cost of concessions	12,924	11,653
Occupancy	40,150	39,347
Other operating	50,721	45,252
General and administrative	11,372	9,567
	181,107	164,751
Income before undernoted	29,914	25,090
Amortization	20,864	21,102
(Gain) loss on disposal of theatre assets	(5)	311
Interest and accretion expense on convertible debentures	1,836	1,840
Interest on long-term debt and capital lease obligations	4,214	4,589
Interest income	(125)	(297)
Income (loss) before income taxes and non-controlling interests	3,130	(2,455)
Provision for (recovery of) income taxes		
Current	7	(5)
Future	(737)	1,537
	(730)	1,532
Income (loss) before non-controlling interests	3,860	(3,987)
Non-controlling interests	157	(1,732)
Net income (loss)	$ 3,703	$ (2,255)
Basic net income (loss) per Fund unit	$ 0.07	$ (0.05)
Weighted average number of Fund units outstanding used in computing basic net income (loss) per Fund unit	54,440,777	43,126,290
Diluted net income (loss) per Fund unit (note 6)	$ 0.07	$ (0.07)
Weighted average number of Fund units outstanding used in computing diluted net income (loss) per Fund unit (note 6)	56,761,381	56,981,034

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

Cineplex Galaxy Income Fund

Interim Consolidated Statements of Unitholders' Equity and Comprehensive Income (Loss)
(Unaudited)

(expressed in thousands of Canadian dollars)

For the three months ended March 31, 2009

	Accumulated income	Accumulated distributions	Accumulated distributions in excess of accumulated income	Accumulated other comprehensive loss	Unitholders' capital (note 5)	Total unitholders' equity	Comprehensive income
Balance - December 31, 2008	$ 102,535	$ (190,881)	**$ (88,346)**	$ (13,683)	$ 571,401	**$ 469,372**	**$ -**
Issuance of units under Exchange Agreement (note 2)	-	-	-	-	134,403	**134,403**	-
LTIP compensation obligation	-	-	-	-	1,068	**1,068**	-
LTIP Fund units	-	-	-	-	(2,912)	**(2,912)**	-
Distributions declared (note 4)	-	(17,451)	**(17,451)**	-	-	**(17,451)**	-
Net income	3,703	-	**3,703**	-	-	**3,703**	**3,703**
Other comprehensive income - interest rate swap agreements, net of $73 future income tax provision	-	-	-	223	-	**223**	**223**
Comprehensive income for the period	-	-	-	-	-	**-**	**$ 3,926**
Balance - March 31, 2009	$ 106,238	$ (208,332)	**$ (102,094)**	$ (13,460)	$ 703,960	**$ 588,406**	

The sum of the accumulated distributions in excess of accumulated income and accumulated other comprehensive loss as at March 31, 2009 is $115,554.

For the three months ended March 31, 2008

	Accumulated income	Accumulated distributions	Accumulated distributions in excess of accumulated income	Accumulated other comprehensive income (loss)	Unitholders' capital (note 5) (Revised - note 3)	Total unitholders' equity	Comprehensive loss
Balance - December 31, 2007	$ 73,532	$ (137,082)	**$ (63,550)**	$ 290	$ 570,728	**$ 507,468**	**$ -**
Issuance of units under Exchange Agreement (note 2)	-	-	-	-	2,139	**2,139**	-
LTIP compensation obligation	-	-	-	-	1,084	**1,084**	-
LTIP Fund units	-	-	-	-	(3,691)	**(3,691)**	-
Distributions declared (note 4)	-	(12,989)	**(12,989)**	-	-	**(12,989)**	-
Net loss	(2,255)	-	**(2,255)**	-	-	**(2,255)**	**(2,255)**
Other comprehensive loss - interest rate swap agreements	-	-	-	(2,051)	-	**(2,051)**	**(2,051)**
Comprehensive loss for the period	-	-	-	-	-	**-**	**$ (4,306)**
Balance - March 31, 2008	$ 71,277	$ (150,071)	**$ (78,794)**	$ (1,761)	$ 570,260	**$ 489,705**	

The sum of the accumulated distributions in excess of accumulated income and accumulated other comprehensive loss as at March 31, 2008 is $80,555.

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

Cineplex Galaxy Income Fund

Interim Consolidated Statements of Cash Flows
(Unaudited)

(expressed in thousands of Canadian dollars)

	Three months ended March 31, 2009	Three months ended March 31, 2008 (Revised - note 3)
Cash provided by (used in)		
Operating activities		
Net income (loss)	$ 3,703	$ (2,255)
Adjustments to reconcile net income (loss) to net cash used in operating activities		
Amortization of property, equipment and leaseholds, deferred charges and intangible assets	20,864	21,102
Amortization of tenant inducements, rent averaging liabilities and fair value lease contract liabilities	(28)	269
Amortization of debt issuance costs	149	147
(Gain) loss on disposal of theatre assets	(5)	311
Future income taxes	(737)	1,537
Cash flow hedges - non-cash interest	10	508
Non-controlling interests	157	(1,732)
Accretion of convertible debentures	265	257
Tenant inducements	4,560	1,818
Changes in operating assets and liabilities (note 7)	(10,381)	(13,171)
	18,557	8,791
Investing activities		
Proceeds from sale of theatre assets	-	1,658
Purchases of property, equipment and leaseholds	(12,557)	(7,817)
Cash acquired in exchanges of LP units	639	-
Acquisition of Famous branded magazines	(231)	(387)
	(12,149)	(6,546)
Financing activities		
Distributions paid	(16,193)	(12,972)
Borrowings under credit facility	18,000	-
Repayment of credit facility	(18,000)	-
Distributions paid by the Partnership to non-controlling interests	(1,810)	(4,173)
Payments under capital leases	(413)	(384)
Acquisition of LTIP Fund units	(9,163)	(6,887)
	(27,579)	(24,416)
Decrease in cash and cash equivalents during the period	(21,171)	(22,171)
Cash and cash equivalents - Beginning of period	44,585	44,254
Cash and cash equivalents - End of period	$ 23,414	$ 22,083
Supplemental information		
Cash paid for interest	$ 2,777	$ 3,425
Cash paid for income taxes - net	$ 5	$ -
Cash received for interest	$ 119	$ 280

Certain non-cash transactions occurred relating to exchanges of the non-controlling interests' Partnership units for Fund units (note 2).

The accompanying notes are an integral part of these interim 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, a newly constituted wholly owned trust, in Partnership units of Cineplex Entertainment Limited Partnership (the "Partnership") and shares of Cineplex Entertainment Corporation, 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 and all of the shares of Galaxy Entertainment Inc. In 2005, the Partnership acquired 100% of Famous Players Limited Partnership and its general partner, Famous Players Co. As at March 31, 2009, the Fund indirectly owns approximately 97% of the Partnership. The Fund is currently Canada's largest film exhibition organization, with theatres in six provinces.

2 Presentation of non-controlling interests - exchangeable units

In the three months ended March 31, 2008, 174,502 Partnership units were exchanged for 174,502 Fund units and $2,139 was reclassified from non-controlling interests to unitholders' capital. The Fund's indirect ownership of the Partnership increased 0.3% to 76.0% as a result of these exchanges.

In the three months ended March 31, 2009, under the provisions of the Exchange Agreement, Onex Corporation ("Onex") and certain members of Onex's management exchanged their indirect interests in the Partnership for 11,985,818 Fund units. As a result of the exchange, the Fund increased its indirect ownership of the Partnership to approximately 97% and recorded additional unitholders' capital of $134,403, comprised of $130,948 reclassified from non-controlling interests and accounts payable and accrued liabilities and the recognition of $3,455 additional future income taxes asset.

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 ("GAAP"). The disclosures contained in these unaudited interim consolidated financial statements do not contain all requirements of GAAP for annual consolidated financial statements and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2008.

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, 2008, except as described in the remainder of this note.

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

Changes in accounting policies

Goodwill and intangible assets

On January 1, 2009, the Fund adopted The Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3064, *Goodwill and Intangible Assets*, which replaced Handbook Sections 3062, *Goodwill and Other Intangible Assets*, and 3450, *Research and Development Costs*. The new standard had no effect on the unaudited interim consolidated financial statements of the Fund.

Future income taxes

Emerging Issues Committee Abstract 171, *Future Income Tax Consequences of Exchangeable Interests in an Income Trust or Specified Investment Flow-Through* ("EIC-171"), requires retrospective application to the period ended June 30, 2007, the period during which income tax proposals pertaining to the taxation of the Fund became substantively enacted. In addition to the effect on future income taxes and non-controlling interests relating to the derecognition of the temporary differences attributable to the exchangeable interests, goodwill and future income taxes have been revised to reflect the adjusted fair value associated with the April 2, 2007 exchange of Partnership units for Fund units, as impacted by EIC-171. Unitholders' capital has been revised to reflect the adjusted balance of non-controlling interests that was reclassified to unitholders' capital on the March 2008 exchange of Partnership units.

The impact on the comparative figures for the three months ended March 31, 2008 was a $486 decrease to $1,537 from the previously reported provision for future income taxes of $2,023. Income allocated to the non-controlling interests increased by $486. Net loss was not affected.

Future changes in accounting standards

The Fund reviews all changes to the CICA Handbook when issued. The following will become effective after March 31, 2009:

International Financial Reporting Standards

In February 2008, the CICA confirmed that International Financial Reporting Standards ("IFRS") will be mandatory in Canada for profit-oriented publicly accountable entities for fiscal periods beginning on or after January 1, 2011. The Fund is analyzing the impact of the new standards on its consolidated financial statements.

Business combinations

In January 2009, the CICA issued Handbook Section 1582, *Business Combinations*, which replaces CICA Handbook Section 1581, *Business Combinations*. The new standard must be adopted on or before January 1, 2011 and will be applied prospectively; previous business combinations will not be restated. While there will be no impact on the consolidated financial statements on adoption of the new standard, differences in

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

recognition and measurement may result in a materially different future financial position and results of operations from business combinations accounted for in accordance with the existing standard.

Consolidated financial statements and minority interests

In January 2009, the CICA issued Handbook Section 1601, *Consolidated Financial Statements*, and Handbook Section 1602, *Non-controlling Interests*, which together replace CICA Handbook Section 1600, *Consolidated Financial Statements*. The new standards must be adopted on or before January 1, 2011. The Fund is analyzing the impact on its consolidated financial statements.

4 Distributions payable

The Fund has declared the following distributions during the three months ended March 31, 2009 and 2008:

	2009		2008	
Record date	**Amount**	**Amount per unit**	**Amount**	**Amount per unit**
January	$ 5,817	$ 0.1050	$ 4,324	$ 0.1000
February	5,817	0.1050	4,324	0.1000
March	5,817	0.1050	4,341	0.1000

The distributions are paid within 30 days following the end of each month. Distributions paid are at the discretion of the Board of Trustees of the Fund. In addition to the above, the Partnership has amounts payable as at March 31, 2009 to the non-controlling interests of $184.

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

5 Unitholders' capital

Unitholders' capital as at March 31, 2009 and 2008 and transactions during the periods are as follows:

	Three months ended March 31, 2009		Three months ended March 31, 2008	
	Number of units	**Amount**	**Number of units**	**Amount**
Opening balance - January 1				
Fund units	43,414,217	$ 565,099	43,239,715	$ 562,960
Convertible debentures - equity component	-	8,546	-	8,546
LTIP compensation obligation	-	3,249	-	1,024
LTIP Fund units	(332,426)	(5,493)	(117,491)	(1,802)
	43,081,791	571,401	43,122,224	570,728
Transactions during the period				
Issuance of Fund units under the Exchange Agreement (note 2)	11,985,818	134,403	174,502	2,139
LTIP compensation obligation, net of vested Fund units	-	1,068	-	1,084
Purchase of LTIP Fund units	(633,228)	(9,163)	(410,949)	(6,887)
Settlement of LTIP obligation through transfer of Fund units to LTIP participants	406,509	6,251	196,014	3,196
	11,759,099	132,559	(40,433)	(468)
Closing balance - End of period				
Fund units	55,400,035	699,502	43,414,217	565,099
Convertible debentures - equity component	-	8,546	-	8,546
LTIP compensation obligation	-	4,317	-	2,108
LTIP Fund units	(559,145)	(8,405)	(332,426)	(5,493)
	54,840,890	$ 703,960	43,081,791	$ 570,260

Long-term incentive plan

Long-term incentive plan ("LTIP") costs are estimated at the grant date based on expected performance results, and recognized on a graded basis over the vesting period. The effects of changes in estimates of performance results are recognized in the period of change. Forfeitures are recognized as they occur as a reduction to

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

compensation expense. For the three months ended March 31, 2009, the Fund recognized $2,679 (2008 - $1,844) of compensation costs under the LTIP.

The LTIP compensation is recorded as an accrued liability until the corresponding LTIP pool of funds is utilized to acquire Fund units, at which point, the liability is reclassified to unitholders' capital, as the Fund is obligated to deliver a fixed number of Fund units, the value of which will vary with the fair value of the Fund units. Subsequent changes in the fair value of the Fund units are not recognized. The Fund accounts for its investment in Fund units relating to the LTIP as treasury stock, reducing unitholders' capital.

Fund unit option plan

On February 12, 2008, 1,250,000 Fund unit options with an exercise price equal to the market price of $17.03 were granted to 21 employees. The Fund unit options vest one third on each of the successive anniversaries of the grant date, and expire five years after the grant date if unexercised.

On February 18, 2009, 1,250,000 Fund unit options with an exercise price equal to the market price of $14.00 were granted to 21 employees. The Fund unit options vest one third on each of the successive anniversaries of the grant date and expire five years after the grant date if unexercised.

The Fund recorded an $11 general and administrative expense with respect to the Fund unit options during the three months ended March 31, 2009 (2008 - $nil). The amount of $11 is included in accounts payable and accrued expenses as at March 31, 2009.

A summary of Fund unit option activities for the three month periods ended March 31, 2009 and 2008 is as follows:

		2009		2008	
	Weighted average remaining contractual life (years)	**Number of underlying Fund units**	**Weighted average exercise price**	**Number of underlying Fund units**	**Weighted average exercise price**
Fund unit options outstanding - January 1	4.12	1,250,000	$ 17.03	-	$ -
Granted	5.00	1,250,000	14.00	1,250,000	17.03
Cancelled/forfeited		(5,000)	17.03	-	-
Exercised		-		-	-
Fund unit options outstanding - End of period	4.38	2,495,000	15.51	1,250,000	17.03

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

6 Diluted net income (loss) per Fund unit

The weighted average number of units outstanding used in computing the diluted net income (loss) per unit includes the dilutive effect of the full exercise of the non-controlling interest unitholders' right to exchange their Partnership units for Fund units. Convertible debentures in the amount of $104,995 were excluded from the computation of diluted net income (loss) per unit, as their effect would have been antidilutive. The $104,995 convertible debentures can be converted into 5,599,734 Fund units at the option of the holders. If converted, the weighted average number of units outstanding used in computing diluted net income (loss) per unit would be 5,599,734 units higher (2008 - 5,599,734). LTIP units held by the Fund decrease the weighted average number of units outstanding for both the basic and diluted net income (loss) per Fund unit calculation.

The following Partnership units have not been exchanged for Fund units as at March 31:

	Number of units	
	2009	**2008**
Class B, Series 1	16,890	626,589
Class B, Series 2-G	1,733,762	1,733,762
CELP 2007 LP Units	-	11,376,119
	1,750,652	13,736,470

7 Interim consolidated statements of cash flows

The following summarizes the changes in operating assets and liabilities:

	Three months ended March 31, 2009	Three months ended March 31, 2008
Accounts receivable	$ 20,575	$ 15,532
Inventories	1,148	(65)
Prepaid expenses and other current assets	(3,010)	3,837
Accounts payable and accrued expenses	(13,088)	(18,614)
Income taxes payable	2	(14)
Deferred revenue	(15,483)	(13,205)
Accrued pension benefit liability	142	176
Other liabilities	(667)	(818)
	$ (10,381)	$ (13,171)
Non-cash investing activities		
Property, equipment and leasehold purchases financed through accrued liabilities	$ 6,120	$ 3,402

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

8 Seasonal fluctuations

The Fund's revenues are primarily dependent on the timing of film releases by distributors. The most marketable films are usually released during the summer and year-end holiday seasons. Consequently, the results of operations and cash flows for interim periods are not necessarily indicative of the results to be expected for the full year. Although film studios and distributors have expanded the historical summer and year-end holiday release windows and increased the number of heavily marketed films released during traditionally lower-attendance periods, the Fund's results of operations may vary significantly from quarter to quarter.

9 Segment information

The Fund 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.

10 Subsequent events

Unit exchange

On April 21, 2009, under the provisions of the Exchange Agreement, Onex exchanged interests in the Partnership for 1,466,369 Fund units. As a result of the exchange, the Fund increased its indirect ownership in the Partnership to approximately 99.5%.

Onsite Media Network Inc. purchase

The Fund has agreed to acquire all of the issued and outstanding shares of Onsite Media Network Inc. The transaction is valued at approximately $1,700 and closed on April 30, 2009.