



Quarterly Report

First Quarter 2010

April 29, 2010

This interim management's discussion and analysis (MD&A) should be read in conjunction with the MD&A in the annual report of Cinram International Income Fund (the "Fund") for the year ended December 31, 2009, and its quarterly report for the three months ended March 31, 2010. The MD&A is intended to help the reader understand the results of operations and financial condition of the Fund. We report our unaudited consolidated interim financial statements in accordance with Canadian generally accepted accounting principles ("GAAP"). Where reference is made to "we," "us," "Cinram," or the "Fund," it refers to Cinram International Income Fund and its subsidiaries. External economic and industry factors remain substantially unchanged, unless otherwise stated.

Forward-looking statements

Certain statements included in this management's discussion and analysis (MD&A) contain words such as "could," "expects," "expectations," "may," "anticipates," "believes," "intends," "estimates" and "plans" (and similar expressions) and constitute "forward-looking statements" within the meaning of applicable securities law. These statements are based on Cinram's current expectations, estimates, forecasts and projections about the operating environment, economies and markets in which it operates. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which are difficult to predict and may cause the actual results, performance or achievements of the Fund to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following: general economic and business conditions, that will, among other things, impact the demand for the Fund's products and services (including risks related to international operations and foreign exchange risks); the Fund's ability to retain major customers, multimedia replication industry conditions and capacity (including, among other things, competitive and pricing pressures, increases in raw material costs, increasingly compressed production cycle and seasonality of the business, the need for capital expenditures or maintenance of Blu-ray and standard DVD capacity, and variability in quarterly earnings); the ability of the Fund to implement its business strategy; a shortage of product due to labor disruptions; the Fund's ability to invest successfully in new technologies; and other factors. All of the foregoing factors are described in detail in the Fund's filings with Canadian securities commissions (reference is made in particular, but without limitation, to the section entitled "Risks and Uncertainties" in the Fund's 2009 annual report and to prior quarterly financial reports). For a complete list of risks and uncertainties, please consult Cinram's annual information form filed with Canadian securities commissions, available on www.sedar.com.

The Fund disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise. You should read this MD&A and quarterly report with the understanding that the Fund's actual future results may be materially different from what we expect. These cautionary statements expressly qualify all forward-looking statements attributable to the Fund.

Non-GAAP financial measures

EBITA is defined in this report as earnings (loss) from continuing operations before impairment charges, interest expense and financing charges, gain on repurchase of debt, foreign exchange translation gains/losses, investment income, income taxes, and amortization, and is a standard measure that is commonly reported and widely used in the Fund's industry to assist in understanding and comparing operating results. EBITA is not a defined term under GAAP. Accordingly, this measure should not be considered as a substitute or alternative for net earnings or cash flow, in each case as determined in accordance with GAAP. A reconciliation of EBITA to net earnings from continuing operations under GAAP is found in the table below.

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We use EBIT and EBITA, as defined above, as benchmarks for measuring operating performance and for our lending arrangements.

Note that certain comparative figures have been reclassified throughout the MD&A to conform with the financial statement presentation adopted in the current year.

Reconciliation of EBITA and EBIT to net earnings (loss) from continuing operations

(unaudited, in thousands of U.S. dollars)	Three months ended March 31	
	2010	2009
EBITA excluding other charges (income)	\$35,487	\$28,041
Other charges (income), net	(7,175)	1,300
EBITA	42,662	26,741
Amortization of property, plant and equipment	15,179	22,014
Amortization of intangible assets	5,711	10,167
EBIT	21,772	(5,440)
Interest on long-term debt	8,410	9,837
Other interest and financing charges, net	654	580
Foreign exchange loss	336	5,838
Investment income	(115)	(276)
Income taxes (recovery)	4,626	(3,813)
Net earnings (loss) from continuing operations	\$7,861	\$(17,606)

1. ABOUT OUR BUSINESS

Cinram International Inc. (CII), an indirect wholly-owned subsidiary of Cinram International Income Fund, is one of the world's largest providers of pre-recorded multimedia products and related logistics services. With facilities in North America and Europe, we manufacture DVDs, Blu-ray discs and CDs, and we provide distribution services for motion picture studios, music labels, video game publishers, computer software companies, telecommunication companies and retailers around the world.

Cinram operates 21 major facilities that span nearly 13 million square feet. As of March 31, 2010, we employed approximately 12,000 people worldwide, including contract and agency workers. We currently have the capacity to manufacture approximately 2.1 billion DVDs and about 500 million CDs per year to service seasonal peaks in demand, which typically occur around the U.S. Thanksgiving and Christmas holiday shopping seasons. We primarily manufacture on firm orders from our customers, generally pursuant to multi-year contracts ranging from two to six years. We do not bear the risk of unsold products, as customers cannot return any previously purchased inventory, with the exception of defective product (which occurs rarely). We do not have title to the products we distribute. Our major contracts are, to a large extent, exclusive for particular territories, and many of our manufacturing agreements contain periodic market price tests and most-favored-nations clauses that may require us to lower our selling prices. The products we manufacture generally experience price declines on an annual basis, with declines historically being steeper in the early stages of their life cycles.

On February 1, 2010, the Fund announced that it received written notice from Warner Home Video Inc. (WHV) that WHV was exercising its option to terminate its service agreements on July 31, 2010. The notice covers all Cinram entities globally and will directly impact operations in North America, Mexico, UK, France, Germany and Spain. WHV revenues for 2009 represented approximately 32% of the total consolidated revenues of the Fund. The Fund is currently assessing the impact of this loss of business on its operations globally.

In January 2010, the Fund completed the sale of its owned distribution centre in Simi Valley, California for proceeds of \$14.0 million less transaction costs, resulting in a gain of \$7.5 million. This gain was recorded during the first quarter of 2010.

On January 14, 2010, Steve Brown, the Company's Chief Executive Officer, was appointed to the Board of Trustees. The board also announced that it accepted the resignation of Mr. George Armoyan who stepped down from the Board of Trustees to attend to personal family matters.

We operate four business segments: Home Video, CD, Video Game and Other. Our Home Video segment replicates, packages and distributes DVDs and Blu-ray discs, including new releases and catalogue titles, for the home entertainment divisions of motion picture studios. Our CD segment primarily replicates, packages and distributes audio CDs and CD-ROMs for record labels, publishers and software companies. Our Video Game segment includes revenues from distributing video games. Our Other segment includes revenue from logistics services for our telecommunications customer (Motorola), as well as revenue from Vision and other non-core activities. Revenue from Ivy Hill, our U.S. printing business, was classified as discontinued operations during the first quarter of 2009, and revenue from Giant Merchandising, our non-core screen printing entertainment and merchandising business, was classified as discontinued operations during the second quarter of 2008. Accordingly, prior periods have been reclassified on this basis.

1.1 Recent acquisitions and dispositions

1.1.1 Disposition of Simi Valley facility

In January 2010, the Fund completed the sale of its owned distribution centre in Simi Valley, California for proceeds of \$14.0 million less transaction costs, resulting in a gain of \$7.5 million. This gain was recorded during the first quarter of 2010.

1.2 Capital structure

In May 2006, Cinram International Inc. converted from a corporate structure to an income trust structure through a plan of arrangement that was approved by shareholders on April 28, 2006. As a result of the recapitalization, shareholders exchanged their shares of Cinram International Inc. for units of Cinram International Income Fund (or in the case of electing shareholders, into units of the Cinram International Limited Partnership) on a one-for-one basis. The Fund's units are listed on the Toronto Stock Exchange under the symbol CRW.UN.

1.3 Our strategy

In 2009, the new management team set a strategy for the Company, which was presented to and approved by the Board of Trustees. The following is a summary of that strategy:

- maintain a culture of operational excellence within the business – promoting world class practices and an attitude of continuous improvement.
- grow our client base amongst the major and mid-sized entertainment studios by providing global, cost effective services
- expand our service offerings to our clients and thereby maximize value in the supply chain to our mutual benefit
- provide innovative products and solutions to our clients, responding to the changes in how entertainment is delivered to the ultimate consumer.

The Fund continues to aggressively pursue this strategy across all business segments.

2. FIRST QUARTER 2010 PERFORMANCE

Key performance metrics

(in thousands of U.S. dollars, except per unit data)	Three months ended March 31	
	2010	2009
Revenue	\$301,563	\$303,154
EBITA excluding other charges (income)	35,487	28,041
EBITA	42,662	26,741
EBIT	21,772	(5,440)
Net earnings (loss) from continuing operations	7,861	(17,606)
Basic earnings (loss) per unit from continuing operations	\$0.15	\$(0.32)
Diluted earnings (loss) per unit from continuing operations	\$0.14	\$(0.32)

Consolidated revenue in the three months ended March 31, 2010 was \$301.6 million, down slightly from \$303.2 million in 2009. Home Video segment revenue increased by 9%, offset by lower CD, video game and wireless revenue. Excluding the impact of foreign exchange, revenue decreased by four percent.

EBITA excluding other charges (income) for the first quarter of 2010 increased by 27% to \$35.5 million from \$28.0 million in 2009, and EBITA margins as a percentage of consolidated revenue increased to 12%, up from 9% in 2009. EBITA margins for the 2010 first quarter were positively impacted by higher DVD unit sales, combined with improved efficiencies, primarily in fixed and variable labour. The prior year EBITA figure was negatively impacted by \$8.8 million of severance charges associated with general workforce reductions across several facilities in Canada and the United States, including costs related to certain executive employees.

For the three months ended March 31, 2010, we recorded a gain of \$7.2 million in other charges/income resulting from a \$7.5 million gain on the sale of real estate, offset by \$0.3 million of severance and other costs associated with the upcoming closure of our video games distribution facility in West Chester, Ohio. This compares to \$1.3 million of restructuring charges incurred during the prior year comparable period.

Summary of quarterly results

(in thousands of U.S. dollars, except per unit data)

Quarter	Revenue from continuing operations		
	2010	2009	2008
First	301,563	\$303,154	\$373,762
Second		301,034	386,309
Third		351,238	411,653
Fourth		508,139	556,813
Year	\$301,563	\$1,463,565	\$1,728,537

Quarter	Net earnings (loss) from continuing operations			Net earnings (loss) from discontinued operations			Net Earnings (loss)		
	2010	2009	2008	2010	2009	2008	2010	2009	2008
First	\$7,861	(17,606)	\$7,606	\$-	\$(4,694)	\$(10,993)	\$7,861	\$(22,300)	\$(3,387)
Second		7,288	(4,098)		(8,025)	(2,981)		(737)	(7,080)
Third		13,941	1,529		(4,460)	493		9,481	2,022
Fourth		(9,391)	16,380		919	(39,464)		(8,472)	(23,084)
Year	\$7,861	\$(5,768)	\$21,417	\$-	\$(16,260)	\$(52,945)	\$7,861	\$(22,028)	\$(31,529)

Quarter	Basic/Diluted EPS from continuing operations			Basic/Diluted EPS from discontinued operations			Basic/Diluted EPS		
	2010	2009	2008	2010	2009	2008	2010	2009	2008
First	\$0.15	\$(0.32)	\$0.13	\$-	\$(0.08)	\$(0.19)	\$0.15	\$(0.40)	\$(0.06)
Second		0.13	(0.07)		(0.14)	(0.05)		(0.01)	(0.12)
Third		0.26	0.03		(0.08)	0.01		0.17	0.04
Fourth		(0.17)	0.29		0.02	(0.71)		(0.16)	(0.42)
Year	\$0.15	\$(0.11)	\$0.38	\$-	\$(0.30)	\$(0.94)	\$0.15	\$(0.40)	\$(0.56)

Cinram's annual and quarterly operating results vary significantly from period to period as a result of the timing and value of customer orders, fluctuations in materials and other costs, and the relative mix of value-added products and services. Our business is seasonal, as a large portion of our revenue and earnings are recorded in the third and fourth quarters, since most large-scale home video release dates are clustered around the U.S. Thanksgiving and Christmas holiday shopping seasons. The timing of the release schedule, as well as the success of a few titles, can play an important role in December re-order volumes and, in turn, influence our full-year results.

Over the last three years, the release schedule has become more compressed as the peaks in demand have risen while the seasonal troughs have widened. Although we made significant investments over the past few years to increase our DVD manufacturing and distribution services capacity to accommodate our growing customer base and handle peak demand, unanticipated changes, such as the rescheduling of a release date or the late arrival of content or assembly components, can disrupt our manufacturing schedule. This may result in the need to outsource production to a third party to meet customer deliverables. We generate lower margins on units that are offloaded to third parties. Our results can also be hit-driven, based on the demand for our customers' content. With our high customer concentration, we are dependent on our customers' ability to capture and maintain their market share of consumer spending, especially in home video.

3. SEGMENTED RESULTS

3.1 Revenue by segment

(in thousands of U.S. dollars)	Three months ended March 31			
	2010		2009	
Home Video	\$240,597	80%	\$220,629	73%
CD	31,711	10%	37,098	12%
Video Game	17,299	6%	23,612	8%
Other	11,956	4%	21,815	7%
	\$301,563	100%	\$303,154	100%

3.1.1. Home Video

In the first quarter ended March 31, 2010, Home Video revenue (which includes replication and distribution of DVDs and Blu-ray discs) increased 9% to \$240.6 million from \$220.6 million in 2009, as a result of higher DVD unit sales. DVD replication revenue increased 6% to \$152.5 million in the first quarter of 2010 from \$144.4 million in 2009, and Blu-ray revenue increased to \$8.9 million from \$4.4 million in 2009. DVD unit shipments increased in both North America and Europe, particularly at our facility in Olyphant, Pennsylvania. Home video revenue accounted for 80% of consolidated revenue, up from 73% in 2009.

3.1.2. CD

Revenue from the CD segment (which includes replication and distribution of CDs and CD-ROM) decreased 15% in the first quarter of 2010 to \$31.7 million from \$37.1 million in 2009 due primarily to lower unit shipments. This decrease in CD revenue was consistent with expectations given the closure of our CD facility in Richmond, Indiana during the prior year. The CD segment represented 10% of consolidated sales in the first quarter ended March 31, 2010, compared with 12% in the prior year period. CD replication revenue was \$25.7 million, down 18% from \$31.3 million in 2009, while CD related distribution revenue was \$6.0 million during the 2010 first quarter compared to \$5.8 million in 2009.

3.1.3. Video Game

Video game revenue was \$17.3 million in the first quarter of 2010 compared with \$23.6 million in 2009 due to continued softness in this industry. This segment accounted for 6% of consolidated revenue in the first quarter of 2010, down from 8% in the prior year period.

3.1.4. Other

Revenue from other activities, which includes the Wireless Division and the Vision subsidiary, totaled \$12.0 million and represented 4% of consolidated 2010 first quarter revenue, down from \$21.8 million and 7% in the comparable 2009 period.

Revenue from our wireless division related to logistics services was \$9.5 million during the first quarter of 2010, compared to \$19.7 million in 2009. The prior year figure includes revenue from the Motorola Europe contract that was terminated in July 2009.

3.2 Geographic segments revenue

(in thousands of U.S. dollars)	Three months ended March 31			
	2010		2009	
North America	\$176,865	59%	\$184,289	61%
Europe	124,698	41%	118,865	39%
Total	\$301,563	100%	\$303,154	100%

3.2.1 North America

North American revenue decreased 4% in the first quarter to \$176.9 million from \$184.3 million in 2009, due to lower revenues generated from CD sales, Ditan and Wireless. This was partially offset by higher DVD sales in both Canada and the United States.

First quarter North American DVD revenue (including related distribution) was up 1% to \$125.1 million from \$124.1 million in 2009 as a result of higher unit sales, partially offset with lower prices. Our Blu-ray disc sales increased to \$7.5 million in North America from \$3.1 million in the first quarter of 2009, as this format becomes more accepted in the marketplace.

North American CD sales (including related distribution) decreased to \$16.6 million from \$21.3 million in 2009. The year over year declines were principally caused by lower volume, primarily related to the closure of our CD facility in Richmond, Indiana during the spring of 2009.

Video Game revenue was \$17.3 million in the first quarter of 2010 compared with \$23.6 million in the prior year period. The decrease was due to the loss of several customers combined with changing product mix that resulted in a lower per unit selling price compared to the prior year.

Revenue from our wireless division related to logistics services was \$9.5 million during the first quarter of 2010 compared to \$11.2 million in 2009 due to a decrease in the number of units distributed for Motorola.

North American revenue accounted for 59% of consolidated revenue in the first quarter of 2010 compared with 61% in 2009.

3.2.2 Europe

European revenue increased 5% in the first quarter of 2010 to \$124.7 million from \$118.9 million in 2009. The increase in revenue was due to higher DVD unit sales combined with the foreign exchange impact associated with the strengthening of the Euro relative to the US dollar during the first quarter of 2010 compared to the same period in the prior year. Excluding the impact of foreign currency translation, European revenue was relatively flat in the first quarter of 2010 compared to 2009, primarily as a result of lower DVD selling prices compared to the prior year period.

European DVD revenue (including related distribution) increased 16% in the first quarter of 2010 to \$106.5 million from \$92.1 million in 2009 primarily due to higher unit sales in Germany and France combined with the foreign exchange impact as mentioned previously.

CD revenue (including related distribution) for the first quarter of 2010 decreased by 4% to \$15.1 million from \$15.8 million in 2009 resulting from lower CD unit shipments and lower selling prices.

Revenue from our wireless division was nil during the first quarter of 2010 compared to \$8.5 million in 2009. Our agreement with Motorola Europe was terminated effective July 2009.

As a percentage of consolidated sales, European revenue increased to 41% for the first quarter of 2010 compared with 39% in 2009.

4. GROSS PROFIT

Gross profit for the first quarter of 2010 increased to \$56.8 million from \$44.8 million in 2009. The increase in gross profit was principally attributable to improved labour and overhead efficiencies combined with reduced capital asset amortization charges. Amortization expense from property, plant and equipment, which is included in cost of goods sold, decreased to \$15.2 million in the first quarter of 2010

from \$22.0 million in 2009. This decrease was a result of lower net book values of property, plant and equipment due to the impairment charge recorded at the end of 2009 as part of Cinram's annual impairment test.

During the prior year first quarter, the Fund recorded \$4.0 million of severance charges, included in cost of goods sold, associated with general workforce reductions across several facilities in Canada and the United States.

As a percentage of consolidated revenue, gross profit margins were 19% in the first quarter of 2010, up from 15% in 2009.

5. AMORTIZATION OF INTANGIBLE ASSETS

We recorded amortization of intangible assets of \$5.7 million in the first quarter of 2010 compared with \$10.2 million in 2009, primarily as a result of lower net book value due to an impairment charge recorded at the end of 2009 as part of our annual intangible asset impairment test.

6. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses decreased in the first quarter of 2010 to \$36.5 million from \$38.8 million in 2009. As a percentage of consolidated revenues, selling, general and administration expenses were 12.1% compared with 12.8% in 2009. The prior year total includes \$4.8 million of severance charges associated with certain key employees. Excluding these charges, as a percentage of consolidated revenues, selling, general and administrative expenses were 11.2% in the prior year.

7. OTHER CHARGES (INCOME), NET

Gain on sale of property

In January 2010, the Fund completed the sale of its owned distribution centre in Simi Valley, California for proceeds of \$14.0 million less transaction costs, resulting in a gain of \$7.5 million. This gain was recorded during the first quarter of 2010.

In January 2009, the Fund completed a sale-leaseback transaction of its facility in Aurora, Illinois, for net cash proceeds of \$23.0 million. An immediate gain of \$1.7 million was recorded to other charges on the transaction. A further gain of \$9.5 million was deferred and is being amortized over the minimum lease term of five years.

Restructuring charges

During the first quarter of 2010, the Fund announced its plan to close its games distribution facility in West Chester, Ohio and relocate the operations to the Indianapolis, Indiana facility. During the quarter, charges of \$0.4 million related to severance and facility decommissioning costs were recorded.

The prior year restructuring charges of \$3.0 million included the following:

(i) \$2.0 million for the closure of the CD replication facility in Richmond, Indiana and relocation of part of

the operations to the Olyphant, Pennsylvania, facilities.

(ii) \$0.6 million for the closure of the Simi Valley, California, distribution facility and relocation of the operations to Nashville, Tennessee and Aurora, Illinois.

(iii) \$0.4 million for the closure of the Swindon, UK, distribution facility that was acquired as part of the acquisition of the UK assets of ODS Business Services in June 2008.

8. INTEREST EXPENSE ON LONG TERM DEBT

Interest expense on long term debt for the first quarter of 2010 decreased to \$7.8 million, compared with \$9.1 million in 2009 due to lower loan balances compared to the same period in 2009. Interest expense for the first quarter of 2010 included amortization of transaction costs and loan fees of \$0.6 million, compared to \$0.7 million in 2009. The average interest rate on our long-term debt for the first quarter was approximately 6.8%, compared with approximately 5.9% in 2009. While our debt balance has decreased significantly throughout 2009, the interest rate on \$400 million of our debt is hedged at a fixed rate of 7.55% until July 2011. Therefore, the average interest rate on the long term debt is expected to increase throughout the year, regardless of variable interest rate fluctuations.

9. FOREIGN EXCHANGE GAIN/LOSS

During the first quarter ended March 31, 2010, we recorded a foreign exchange loss of \$0.3 million compared to a loss of \$5.8 million in 2009. The current year loss was recorded primarily in Europe and related to the weakening of the Euro compared to the U.S. dollar for certain U.S. dollar denominated liabilities during the 2010 first quarter relative to 2009 year end exchange rates.

10. INCOME TAXES

The Fund records income tax expense based on projected taxable income in various jurisdictions and taking into account tax deductions available under the existing corporate structure. During the first quarter of 2010, our effective tax rate was 37% compared to 18% in the prior year.

This increase in our tax rate reflects our current expectation of recording a higher proportion of profits or losses in jurisdictions where we have a higher effective tax rate than in other jurisdictions in which we previously did not have reasonable certainty of utilizing prior years' tax losses.

11. NET EARNINGS (LOSS)

We recorded net earnings from continuing operations of \$7.9 million for the first quarter of 2010 compared with a net loss from continuing operations of \$17.6 million in 2009. On a per unit basis, we reported basic earnings from continuing operations of \$0.15 for the quarter ended March 31, 2010, compared with a basic net loss of \$0.32 per share in 2009.

EARNINGS/LOSS FROM DISCONTINUED OPERATIONS:

On April 9, 2009, the Fund completed the sale of certain of Ivy Hill's assets and operations. Accordingly, the results of operations of Ivy Hill have been segregated and presented separately as discontinued operations in the consolidated interim financial statements for the three months ended March 31, 2009.

Prior to the classification as a discontinued operation, these results were reported within the Printing segment under the Fund's reportable industry segments, respectively.

12. LIQUIDITY AND CAPITAL RESOURCES

Sources and uses of cash

	Three months ended March 31	
(in thousands of U.S. dollars)	2010	2009
Cash flow provided by continuing operating activities	\$13,541	\$68,067
Cash flow used in financing activities	(7,832)	(39,119)
Cash flow provided by continuing investing activities	8,599	4,094

We experienced cash inflows from continuing operating activities of \$13.5 million in the first quarter compared with inflows of \$68.1 million in the corresponding 2009 period, primarily resulting from a reduction in days sales outstanding during the prior year, which improved collections during the second half of 2009. Cash used in financing activities was \$7.8 million in the first quarter, primarily reflecting the repayment of long term debt. This compares with outflows of \$39.1 million in 2009, primarily reflecting repayments associated with the amendment of the credit facility in March 2009.

As of March 31, 2010, our net debt position (long-term debt excluding unamortized transaction costs less cash and cash equivalents) improved to \$254.2 million from \$273.3 million at December 31, 2009, primarily due to a higher cash balance combined with lower debt balances from the mandatory repayment of \$7.2 million in March 2010. Our ability to generate cash is critical to ensuring our ability to meet our financial obligations. The senior credit facility matures in May 2011. The Company expects that the credit facility will be successfully refinanced prior to its scheduled maturity.

We paid \$5.2 million for property, plant and equipment in the first quarter of 2010, consisting of Blu-ray equipment in addition to DVD equipment purchased in prior years. This compared to \$17.4 million of capital expenditures in the first quarter of 2009.

At March 31, 2010, our cash balance was \$134.0 million and we had total assets of \$685.4 million compared with \$122.1 million and \$784.7 million, respectively, at December 31, 2009. The reduction in total assets was primarily attributable to lower accounts receivable as of March 31, 2010 given the seasonality of the business and reduced property plant and equipment values. The corresponding cash inflow from the collection of receivables was used during the quarter to settle accounts payable and accrued liabilities and to reduce long term debt.

We anticipate that all capital spending and debt repayments for the foreseeable future will be financed with cash generated from operations and certain non-core asset disposals that will be supplemented, if and as necessary, by borrowing under our existing revolving credit facility.

Our contractual obligations are substantially the same as those disclosed in our 2009 annual report.

12.1 Units and distributions

At March 31, 2010, we had 55.2 million units issued and outstanding in addition to 0.03 million Exchangeable Limited Partnership Units issued and outstanding. As of March 31, 2010, there were no unit options outstanding.

For the three-month period ended March 31, 2010, and the comparative prior year quarter, the Fund did not declare any distributions to unitholders.

13. APPLICATION OF CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements 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 revenue and expenses during the period.

Significant estimates are used in determining, but not limited to, revenue recognition, including the identification of separate units of accounting under multiple deliverable arrangements, provisions for volume rebates, royalty accruals, including judgment required in determining royalty obligations related to certain patents, the allowance for doubtful accounts, inventory valuation, income tax valuation allowances, restructuring costs, contingencies and other provisions, assets and obligations related to employee future benefits, withdrawal liabilities for pension funds, estimation of credit spreads for determination of the fair value of derivative instruments, the useful lives of all depreciable assets, the recoverability of property, plant and equipment and long-lived assets and the valuation of goodwill, that require estimates of future cash flows and discount rates. For business combinations, the key area of estimation and judgment is the allocation of the purchase price.

Royalty charges are incurred as a result of the use of third-party replication technologies. The royalty charge is recorded as a cost of goods sold at the time of shipment. The royalty rates are on a per unit basis and based on contractual terms and conditions or, in situations where formal license agreements are not in place, management's best estimate of the royalty obligation. These estimates are reviewed periodically and, as adjustments become necessary, they are made in the period in which they become known. A

significant change in the royalty rates used could have a material impact on the cost of goods sold amount and the provision for royalties.

Significant changes in the assumptions, including those with respect to future business plans and cash flows, could materially change the recorded carry amounts.

In our 2009 annual audited consolidated financial statements and notes thereto as well as in our 2009 annual MD&A, we identified the accounting policies and estimates that are critical to the understanding of our business operations and our results of operations. For the three months ended March 31, 2010, there were no changes to the critical accounting policies and estimates from those found in our 2009 annual MD&A.

14. CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

Based on a review of the Fund's procedures and documentation of internal controls over financial reporting (ICFR), the Fund's CEO and CFO are satisfied that internal controls have been designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with GAAP.

During the three months ended March 31, 2010, we did not make any significant changes in, nor take any corrective actions regarding, our internal controls or other factors that materially affect, or are reasonably likely to materially affect, the Fund's design of internal controls over financial reporting.

The Fund is committed to providing timely and accurate disclosure of material transactions and events to its Unitholders and the capital markets in general. The Fund has implemented a process whereby management will meet and otherwise communicate on a regular basis to ensure that continuous disclosure obligations are fulfilled on an ongoing basis. The CEO and the CFO, together with management, have designed and evaluated the effectiveness of the Fund's disclosure controls and procedures and have concluded that they are reasonably assured that such disclosure controls and procedures were effective and that material information relating to the Fund was made known to them within the time periods specified under applicable securities legislation.

We periodically review our internal controls and our disclosure controls and procedures each quarter.

15. RISKS AND UNCERTAINTIES

The risks and uncertainties we face are disclosed in our filings with Canadian Securities Commissions, which are available on www.sedar.com, and which are incorporated herein by reference. The risks identified remain substantially unchanged.

16. RECENT CANADIAN ACCOUNTING PRONOUNCEMENTS:

(a) Recently Issued Accounting Pronouncements:

(i) Multiple deliverable revenue arrangements:

In December 2009, the CICA issued EIC-175, Multiple Deliverable Revenue Arrangements (EIC-175). EIC-175, which replaces EIC-142, Revenue Arrangements with Multiple Deliverables, addresses some aspects of the accounting by a vendor for arrangements under which it will perform multiple revenue-generating activities. This new standard is effective for the Fund's interim and annual consolidated financial statements commencing on January 1, 2011 with earlier adoption permitted as of the beginning of a fiscal year. The Fund has chosen not to early adopt this new standard. The Fund is assessing the impact of the new standard on its consolidated financial statements.

(ii) Business combinations:

In October 2008, the CICA issued Handbook Section 1582, Business Combinations (Section 1582), concurrently with Handbook Section 1601, Consolidated Financial Statements (Section 1601), and Handbook Section 1602, Non-controlling Interests (Section 1602). Section 1582, which replaces CICA Handbook Section 1581, Business Combinations, establishes standards for the measurement of a business combination and the recognition and measurement of assets acquired and liabilities assumed. Section 1601, which replaces CICA Handbook Section 1600, Consolidated Financial Statements, carries forward the existing Canadian guidance on aspects of the preparation of consolidated financial statements subsequent to acquisition other than non-controlling interests. Section 1602 establishes guidance for the treatment of non-controlling interests subsequent to acquisition through a business combination. These new standards are effective for the Fund's interim and annual consolidated financial statements commencing on January 1, 2011 with earlier adoption permitted as of the beginning of a fiscal year. The Fund will consider the impact of the new standards on its consolidated financial statements if the Fund has a business combination.

(b) International Financial Reporting Standards ('IFRS'):

In 2008, the Canadian Accounting Standards Board (AcSB) confirmed that IFRS will be mandatory in Canada for profit-oriented publicly accountable entities for fiscal periods beginning on or after January 1, 2011. The Fund's first IFRS financial statements will be for the year ending December 31, 2011 and will include the comparative period for 2010. Starting in the first quarter of 2011, the Fund will provide unaudited consolidated financial information in accordance with IFRS, including comparative figures for 2010.

We have developed a detailed plan for the conversion to IFRS and we are evaluating accounting policy differences between Canadian GAAP and IFRS based on management's current understanding of what those standards will be for years ending December 31, 2011.

The table below is a summary of our IFRS changeover plan, significant milestones and progress to date. We have completed all activities to date per our detailed project plan and expect to meet all milestones through to completion of the conversion.

Key Activity	Milestones/Deadlines	Effort accomplished by March 31, 2010
<p>Preparation:</p> <ul style="list-style-type: none"> • Identify differences in Canadian GAAP/ IFRS accounting policies • Select the Fund's ongoing IFRS policies • Select the Fund's IFRS 1 accounting policy choices • Develop financial statement format • Quantify effects IFRS 1 disclosures on 2010 financial statements 	<ul style="list-style-type: none"> • Senior management and audit committee sign-off on significant accounting policy decisions, IFRS 1 accounting policy choices and financial statement format during 2009 • Quantification of effects of change for IFRS 1 disclosures and 2010 comparative quarterly financial statements including note disclosures by end of Q3 2010 (exclusive of Q4 2010 results). 	<ul style="list-style-type: none"> • Selection of all significant accounting policy decisions has been completed • Identification of significant differences between IFRS policies and Canadian GAAP has been completed • Approval of all IFRS 1 policy choices has been made for optional elections (see below) • Analysis and quantification of ongoing IFRS policies is continuing
<p>Infrastructure:</p> <p>Define and introduce appropriate level of IFRS expertise for each of the following:</p> <ul style="list-style-type: none"> • Operating division accounting staff • Head office and consolidation group • Senior Executives and Board, including Audit Committee 	<ul style="list-style-type: none"> • Appropriate level of expertise as needed throughout the conversion project, and by Q2 2010 at latest. 	<ul style="list-style-type: none"> • Leadership in the form of a Steering Committee and project management function has been established. • Project team has received extensive training. • Training of operating divisions and head office accounting staff underway • Training of senior executives and Board members is ongoing
<p>Infrastructure:</p> <p>Make information technology fully IFRS compliant for all of:</p> <ul style="list-style-type: none"> • Systematic processing changes • Program upgrades/ changes • One-off calculations (transition to IFRS, including IFRS 1) • Gathering data for disclosures • Scope of consolidation package • Budget/plan/forecast monitoring process 	<ul style="list-style-type: none"> • Ready for parallel processing of 2010 general ledgers. 	<ul style="list-style-type: none"> • Preliminary identification of issues completed. • Information Technology resources identified and engaged where required.
<p>Business Policy Assessment:</p> <p>Financial Covenants</p> <ul style="list-style-type: none"> • Identify impact on financial covenants and business practices • Complete any required 	<ul style="list-style-type: none"> • Identify necessary covenant implications by June 30, 2010. 	<ul style="list-style-type: none"> • Identification of GAAP-related covenants completed; • Preliminary IFRS adjustments covenant implications have assessed

renegotiations/changes		at March 31, 2010.
Business Policy Assessment: Compensation Arrangements <ul style="list-style-type: none"> • Identify impact on compensation arrangements • Make any required changes Other Contracts <ul style="list-style-type: none"> • Identify impact on contracts and other areas of business 	<ul style="list-style-type: none"> • Renegotiate arrangements by end of Q3 2010. 	<ul style="list-style-type: none"> • Identification of GAAP-related compensation terms in progress. • Review of other contracts in progress
Control Environment: ICFR <ul style="list-style-type: none"> • For all accounting policy changes identified, assess ICFR design and effectiveness implications • Implement appropriate changes 	<ul style="list-style-type: none"> • Conduct implementation audit by Internal Audit during Q4 2010 and first half of 2011. • Update CEO/CFO certification process by end of Q4 2010. 	<ul style="list-style-type: none"> • Policy manual and documentation team assembled.
Control Environment: New systems/processes <ul style="list-style-type: none"> • Complete documentation of changes to or new systems/processes/controls. 	<ul style="list-style-type: none"> • Conduct implementation audit by Internal Audit during Q4 2010. 	
Control Environment: DC&P <ul style="list-style-type: none"> • For all accounting policy changes identified, assess DC&P design and effectiveness implications • Implement appropriate changes, in particular: <ul style="list-style-type: none"> - Ensure 2011 investor communications fully IFRS compliant re: guidance and expected earnings - Revise MD&A communications package - Ensure investor relations process can respond to IFRS-related queries 	See ICFR deadlines above <ul style="list-style-type: none"> • Publish impact of conversion on Key Performance Indicators in Q3 2010 MD&A • Publish revised 2010 results and MD&A by March 31, 2011. 	

Our date of transition to IFRS will be January 1, 2010 (Transition Date). Although our most significant IFRS accounting policies and elections have been approved by the Steering Committee and the Audit Committee, such approval is based upon our expectations regarding the IFRS standards that are effective for the Fund at the Transition Date.

In the period leading up to the changeover, the AcSB will continue to issue accounting standards that are converged with IFRS, thus mitigating the impact of adopting IFRS at the changeover date. The International Accounting Standards Board (IASB) will also continue to issue new accounting standards during the conversion period, and as a result, the final impact of IFRS on the Fund's consolidated financial statements will only be measured once all the IFRSs applicable at the conversion date are known.

Initial adoption of IFRS:

IFRS 1, First-time Adoption of International Financial Reporting Standards, set forth that the adoption of IFRS occurs in the first annual financial statements in which the entity adopts IFRS by making an explicit and unreserved statement in those financial statements of compliance with IFRS. IFRS 1 requires that comparative financial information be provided and that the same accounting policies be applied throughout all periods presented. As the IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations that will be applicable at December 31, 2011 are not known with certainty at this time, our 2010 and interim 2011 IFRS financial statements may be adjusted for the impacts of new standards that become effective for us prior to December 31, 2011. The policy choices and elections that we have made and are presented below are subject to change.

IFRS1 provides for certain optional exemptions and certain mandatory exceptions for first time IFRS adopters. The Fund has decided to take the following elections provided by IFRS 1. All other available elections are either considered not applicable or not material to the Fund.

Business combinations:	IFRS 3, Business Combinations, may be applied retrospectively or prospectively. The Fund will be electing not to retrospectively apply IFRS 3 to any business combinations that occurred prior to January 1, 2010 and such business combinations will not be restated.
Cumulative translation differences (CTA):	Retrospective application of IFRS would require us to determine cumulative currency translation differences (CTA) in accordance with IAS 21, The Effects of Changes in Foreign Exchange Rates, from the date a subsidiary or associate was formed or acquired. IFRS 1 permits cumulative translation gains and losses to be reset to zero at the Transition Date. The Fund will be electing to recognize all CTA of the foreign subsidiaries into opening retained earnings as of January 1, 2010. This will result in elimination of the CTA balance in Accumulated Other Comprehensive Income at January 1, 2010.
Changes to existing decommissioning, restoration and similar liabilities included in the cost of property, plant and equipment:	<p>IFRS 1 allows for either the retrospective or prospective adoption from the date of transition of IFRIC 1, Changes in Existing Decommissioning, Restoration and Similar Liabilities. The Fund will be electing not to retrospectively recognize changes to liabilities that would have occurred prior to the Transition Date.</p> <p>Instead, an estimate of the decommissioning liabilities under IFRS will be made at January 1, 2010. Any adjustments will include the estimated impact on property, plant and equipment carrying values.</p>
Borrowing costs:	IAS 23, Borrowing Costs, may be applied retrospectively or prospectively for capitalization of borrowing costs directly attributable to the acquisition, construction or production of qualifying assets. The Fund will be electing to apply this standard prospectively from January 1, 2010.

<p>Fair value or revaluation as deemed cost</p>	<p>IFRS 1 provides a choice between measuring individual items of property, plant and equipment, investment property and intangible assets at their fair value at the date of transition and using those amounts as deemed cost or using the historical valuation under the prior GAAP. The Fund will be electing to use the fair value as deemed cost on all of the land and building classified as property, plant and equipment at January 1, 2010. For all other assets, the Fund will use the historical bases under Canadian GAAP as deemed costs under IFRS at the Transition Date.</p>
<p>Employee benefits:</p>	<p>IAS 19, Employee Benefits, allows actuarial gains and losses to be either deferred and amortized, according to the corridor method, or immediately recognized through equity. The Fund will elect to recognize all cumulative actuarial gains and losses that existed at the Transition Date in opening retained earnings for all of its employee benefit plans.</p> <p>The Fund will also be electing not to provide additional disclosures regarding employee benefits, including certain information in respect of defined benefit plans for the current and four previous periods, to the extent that it relates to a period prior to its date of transition.</p>

The mandatory exemptions that are applicable to the Fund under IFRS 1 include:

- 1. Hedge accounting:** As required by IAS 39, Financial Instruments, Recognition and Measurement, at the date of transition to IFRSs, Cinram is prohibited from retrospectively designating hedging relationships prior to the transition date. As a result, only hedging relationships that satisfied the hedge accounting rules at the Transition Date will be reflected in the Fund's results.
- 2. Estimates:** Hindsight is not used to create or revise estimates. Estimates previously made under Canadian GAAP cannot be revised for application of IFRS except where necessary to reflect any difference in accounting policies.

Significant changes in accounting policies upon conversion to IFRS:

The following are the key differences that we have identified to date that are expected to impact our consolidated financial statements upon the transition to IFRS. Except where specifically indicated, at this stage we are not able to reliably quantify the impact these differences will have on our consolidated financial statements.

Employee benefits:

IAS 19, Employee Benefits, requires an entity to make an accounting policy choice regarding the treatment of actuarial gains and losses. The Fund intends to adopt the option of recording all actuarial gains and losses immediately to Other Comprehensive Income, with no impact on profit or loss. Under Canadian GAAP, the Fund recognizes actuarial gains and losses into profit or loss using the

corridor method.

IAS 19 also requires the past service element of defined benefit plans be expensed on a straight-line basis until the benefits become vested. Any past service costs that are already vested are expensed immediately. Under Canadian GAAP, past service costs are amortized over the average remaining service life of the active employees benefiting from the plan.

Leases:

IAS 17, Leases, requires that gains and losses resulting from sale and leaseback transactions are recognized immediately when the resulting lease is accounted for as an operating lease and the sale occurred at market prices. Under Canadian GAAP, a portion of the gains are deferred and amortized over the term of the leases. The resulting credit to retained earnings on transition to IFRS as of January 1, 2010 resulting from this change in policy is estimated to be \$11.6 million with the debit recorded to the deferred gain.

Joint Ventures:

The IASB is currently considering Exposure Draft 9, Joint Arrangements, (ED 9), which is intended to eliminate the option to apply proportionate consolidation and require the use of equity accounting for joint ventures. The final policy is expected to be issued in early 2010 and be effective before the end of 2011. Currently under Canadian GAAP, the Fund uses proportionate consolidation to account for its joint venture in Mexico. The change in policy will require that the Fund use the equity method to account for its interest in the Mexican joint venture arrangement.

Impairment of Assets:

IAS 36, Impairment of Assets, requires that an asset be impaired if the recoverable amount is lower than the asset's carrying amount. The recoverable amount is defined as the higher of the asset's fair value less cost to sell and its value-in-use. The value-in-use calculation involves discounting the expected future cash flows to be generated by the asset to their net present value.

On the other hand, Canadian GAAP applies a two-step approach to measure impairment. In step 1, a recoverability test is performed by comparing the expected undiscounted future cash flows to be derived from the asset with its carrying amount. If the asset fails the recoverability test, step 2 is triggered, and the entity must record an impairment loss calculated as the excess of the asset's carrying amount over its fair value. The net result is that an impairment charge is more likely under IFRS than it is under Canadian GAAP.

However, while Canadian GAAP does not permit the reversal of impairment losses, IFRS requires a reversal of previous impairment charges, other than on goodwill, where conditions have changed.

Property, plant and equipment:

While Canadian GAAP requires that all property, plant and equipment be carried at cost and amortized over their expected useful lives, IFRS provides an option to use the revaluation model where specific classes of assets are revalued annually to fair value. Cinram is electing to continue to apply the cost model with the fair value at the Transition Date as the deemed cost for certain assets (see above).

Investment Property:

Under Canadian GAAP, investment properties were included as part of property, plant and equipment measured on the cost basis and depreciated over their remaining useful lives.

IFRS requires that investment property be separately disclosed on the balance sheet. Similar to property, plant and equipment, IFRS provides an option to use the revaluation model or the cost model. However, IFRS requires that the fair value of investment property be disclosed either by revaluing the assets on the balance sheet, through profit or loss (under the revaluation model), or through note disclosure (under the cost model).

The Fund will continue to report investment property using the cost basis, but where fair value is materially different from the carrying value, this difference will be disclosed in the notes to the consolidated financial statements.

Inventory:

Canadian GAAP requires that any fixed costs not absorbed to inventory during the quarters be capitalized to inventory to the extent that management expects these amounts will be absorbed to inventory by the end of the year. No unabsorbed fixed costs are included in inventory at the end of the year. IAS 34, Interim Financial Reporting, on the other hand has a general rule that amounts should only be included as an asset on the balance sheet at the end of any interim periods if it would be appropriate to classify them as an asset at the end of the year. Therefore, under IFRS, all unabsorbed fixed costs at the end of each interim period will be expensed to cost of goods sold in that period.

INTERIM CONSOLIDATED BALANCE SHEETS

(in thousands of U.S. dollars)

	March 31	December 31
	2010	2009
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$134,017	\$122,072
Accounts receivable	208,538	273,243
Inventories (note 3)	28,149	31,985
Income taxes receivable	901	5,005
Prepaid expenses	12,161	15,915
Assets held for sale	-	6,047
Future income taxes	5,659	6,007
	389,425	460,274
Property, plant and equipment	215,321	234,684
Intangible assets	21,229	27,537
Goodwill	40,634	40,634
Other assets	18,809	21,571
	\$685,418	\$784,700
LIABILITIES AND UNITHOLDERS' DEFICIENCY		
Current liabilities:		
Accounts payable	\$48,082	\$90,282
Accrued liabilities	175,744	226,856
Income taxes payable	27,931	20,277
Current portion of long-term debt (note 4)	28,624	28,624
Current portion of obligations under capital leases	1,451	1,728
	281,832	367,767
Long-term debt (note 4)	356,835	363,396
Obligations under capital leases	1,931	2,337
Other long-term liabilities	41,175	43,637
Derivative instruments	21,140	25,225
Future income taxes	3,390	6,638
Unitholders' deficiency	(20,885)	(24,300)
	\$685,418	\$784,700

See accompanying notes to unaudited interim consolidated financial statements

INTERIM CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)

(unaudited, in thousands of U.S. dollars, except per unit/exchangeable LP unit amounts)

	Three months ended March 31	
	2010	2009
Revenue	\$301,563	\$303,154
Cost of goods sold	244,718	258,343
Gross profit	56,845	44,811
Selling, general and administrative expenses	36,537	38,784
Amortization of intangible assets	5,711	10,167
Other charges (income), net (note 7)	(7,175)	1,300
Earnings (loss) before the undernoted	21,772	(5,440)
Interest on long-term debt	8,410	9,837
Other interest and financing charges, net (note 8)	654	580
Foreign exchange loss	336	5,838
Investment income	(115)	(276)
Earnings (loss) from continuing operations before income taxes	12,487	(21,419)
Income taxes (recovery)	4,626	(3,813)
Earnings (loss) from continuing operations	7,861	(17,606)
Loss from discontinued operations (note 13)	-	(4,694)
Net earnings (loss)	7,861	(22,300)
Earnings (loss) per unit from continuing operation (note 10):		
Basic	\$0.15	\$(0.32)
Diluted	\$0.14	\$(0.32)
Earnings (loss) per unit:		
Basic	\$0.15	\$(0.40)
Diluted	\$0.14	\$(0.40)
Weighted average number of units and exchangeable limited partnership units outstanding, (in thousands) (note 10):		
Basic	53,988	55,256
Diluted	55,645	55,256

See accompanying notes to unaudited interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(unaudited, in thousands of U.S. dollars)

	Three months ended March 31	
	2010	2009
Net earnings (loss) for the period	\$7,861	\$ (22,300)
Other comprehensive income, net of tax (note 6):		
Unrealized loss on translating financial statements of self-sustaining foreign operations	(13,512)	(922)
Unrealized gain (loss) on hedges of net investment in self-sustaining foreign operations	4,689	(3,618)
Partial release of cumulative translation adjustment (note 8)	1,099	-
Unrealized foreign exchange translation loss, net of hedging activities	(7,724)	(4,540)
Net unrealized gain on derivatives designated as cash flow hedges	-	1,653
Release of other comprehensive income due to de- designation of hedge	3,275	-
Other comprehensive loss	(4,449)	(2,887)
Comprehensive earnings (loss), net of tax	\$ 3,412	\$ (25,187)

See accompanying notes to unaudited interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY (DEFICIENCY)

(unaudited, in thousands of U.S. dollars)

Three months ended March 31, 2009

	Fund Units		Exchangeable Limited Partnership units		Contributed surplus	Employee unit purchase loans	Deficit	Accumulated other comprehensive income (loss)	Total Unitholders' equity (deficiency)
	Amount	Number	Amount	Number					
	(000's)		(000's)						
Balance, January 1, 2009	\$175,990	55,223	\$ 100	33	\$ -	\$ -	\$(272,625)	\$99,115	\$ 2,580
Loss for the quarter	-	-	-	-	-	-	(22,300)	-	(22,300)
Deferred units issued (note 5(c))	-	-	-	-	76	-	-	-	76
Other comprehensive loss (note 6)	-	-	-	-	-	-	-	(2,887)	(2,887)
Balance, March 31, 2009	\$175,990	55,223	\$ 100	33	\$ 76	\$ -	\$(294,925)	\$96,228	\$(22,531)

Three months ended March 31, 2010

Balance, January 1, 2010	\$176,002	55,227	\$ 88	29	\$ 823	\$ (2,315)	\$(294,653)	\$95,755	\$(24,300)
Earnings for the quarter	-	-	-	-	-	-	7,861	-	7,861
Employee unit purchase loans (note 5(a))	-	-	-	-	6	(92)	-	-	(86)
Deferred units issued (note 5(c))	-	-	-	-	89	-	-	-	89
Other comprehensive loss (note 6)	-	-	-	-	-	-	-	(4,449)	(4,449)
Balance March 31, 2010	\$176,002	55,227	\$ 88	29	\$ 918	\$(2,407)	\$(286,792)	\$91,306	\$(20,885)

See accompanying notes to unaudited interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, in thousands of U.S. dollars)

	Three months ended March 31	
	2010	2009
Cash provided by (used in):		
Operating Activities:		
Net earnings (loss) from continuing operations	\$7,861	\$(17,606)
Items not involving cash:		
Amortization of property, plant and equipment	15,179	22,014
Amortization of intangible assets	5,711	10,167
Future income taxes	(2,899)	(2,150)
Partial release of cumulative translation adjustment (note 8(a))	1,099	-
Release of other comprehensive income due to de-designation of hedge(note 8(b))	3,275	-
Mark-to-market adjustment of derivative liability (note 8(c))	(4,086)	-
Non-cash interest expense	600	666
Hedge ineffectiveness	-	196
Gain on disposition of property, plant and equipment	(7,460)	(1,779)
Other	89	76
Change in non-cash operating working capital (note 11)	(5,828)	56,483
	13,541	68,067
Financing Activities:		
Transaction costs	-	(1,521)
Repayment of long-term debt and bank indebtedness	(7,156)	(36,688)
Decrease in obligations under capital leases	(682)	(910)
Financing of employee unit purchase loan (note 5(a))	6	-
	(7,832)	(39,119)
Investing Activities:		
Purchase of property, plant and equipment	(5,176)	(17,368)
Proceeds on disposition of property, plant and equipment	13,475	23,004
Decrease in other assets	2,762	1,996
Decrease in other long-term liabilities	(2,462)	(3,538)
	8,599	4,094
Cash used in discontinued operating activities (note 13)	(406)	(3,630)
Cash used in discontinued investing activities (note 13)	-	(11)
Foreign currency translation gain (loss) on cash held in foreign currencies	(1,957)	832
Increase in cash and cash equivalents	11,945	30,233
Cash and cash equivalents, beginning of period	122,072	73,349
Cash and cash equivalents, end of period	\$134,017	\$103,582
Cash and cash equivalents are comprised of:		
Cash	\$108,570	\$77,647
Cash equivalents	25,447	25,935
	134,017	103,582
Supplemental cash flow information:		
Interest paid	\$8,230	\$11,077
Income taxes paid (recovered)	(4,410)	145

Cash and cash equivalents are defined as cash and short-term deposits that have an original maturity of less than 90 days. See accompanying notes to unaudited interim consolidated financial statements.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three months ended March 31, 2010 and 2009

(unaudited, in thousands of U.S. dollars, except per unit/exchangeable LP unit information and where otherwise stated)

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES:

The Fund is an unincorporated, open-ended, limited purpose trust, established under the laws of the Province of Ontario by Declaration of Trust dated March 21, 2006, as amended and restated on May 5, 2006. The Fund was established to acquire, invest in, hold, transfer, dispose of and otherwise deal with securities and/or assets of the Cinram International Income Trust, Cinram International General Partner Inc., and other corporations, partnerships, or other persons engaged, directly or indirectly, in the business of the manufacture, packaging, distribution, sale and provision of multimedia products and related logistics services as well as activities related or ancillary thereto, and such other investments as the Trustees may determine, and the borrowing of funds for that purpose.

These interim unaudited consolidated financial statements include the accounts of the Fund and its subsidiaries.

The interim unaudited consolidated financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) and are based upon accounting principles consistent with those used and described in note 2 to the December 31, 2009, audited consolidated financial statements of the Fund.

These interim unaudited consolidated financial statements do not contain all disclosures required by Canadian GAAP for annual financial statements and, accordingly, these interim unaudited consolidated financial statements should be read in conjunction with the most recently prepared annual audited consolidated financial statements of the Fund, including the notes thereto, for the year ended December 31, 2009.

The interim unaudited consolidated financial statements reflect all adjustments that are necessary, in the opinion of management, to fairly present the financial position of the Fund as of March 31, 2010, and the results of its operations and cash flows for the three month period then ended.

Certain 2009 comparative figures have been reclassified to conform to the financial statement presentation adopted in 2010.

The Fund's business follows a seasonal pattern, whereby pre-recorded multimedia sales are traditionally higher in the third and fourth quarters than in other quarterly periods due to consumer holiday buying patterns. As a result, a disproportionate share of total revenue is typically generated in the third and fourth quarters.

Use of estimates:

The preparation of financial statements 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 revenue and expenses during the period.

Significant estimates are used in determining, but not limited to, revenue recognition, including the identification of separate units of accounting under multiple deliverable arrangements, provisions

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three months ended March 31, 2010 and 2009

(unaudited, in thousands of U.S. dollars, except per unit/exchangeable LP unit information and where otherwise stated)

for volume rebates, royalty accruals, including judgment required in determining royalty obligations related to certain patents, the allowance for doubtful accounts, inventory valuation, income tax valuation allowances, restructuring costs, contingencies and other provisions, assets and obligations related to employee future benefits, withdrawal liabilities for pension funds, estimation of credit spreads for determination of the fair value of derivative instruments, the useful lives of all depreciable assets, the recoverability of property, plant and equipment and long-lived assets and the valuation of goodwill, that require estimates of future cash flows and discount rates.

Royalty charges are incurred as a result of the use of third-party replication technologies. The royalty charge is recorded as a cost of goods sold at the time of shipment. The royalty rates are on a per unit basis and based on contractual terms and conditions or, in situations where formal license agreements are not in place, management's best estimate of the royalty obligation. These estimates are reviewed periodically and, as adjustments become necessary, they are made in the period in which they become known. A significant change in the royalty rates used could have a material impact on the cost of goods sold amount and the provision for royalties.

Significant changes in the assumptions, including those with respect to future business plans and cash flows, could materially change the recorded carry amounts.

2. RECENT CANADIAN ACCOUNTING PRONOUNCEMENTS:

(a) Recently Issued Accounting Pronouncements:

(i) Multiple deliverable revenue arrangements:

In December 2009, the CICA issued EIC-175, Multiple Deliverable Revenue Arrangements (EIC-175). EIC-175, which replaces EIC-142, Revenue Arrangements with Multiple Deliverables, addresses some aspects of the accounting by a vendor for arrangements under which it will perform multiple revenue-generating activities. This new standard is effective for the Fund's interim and annual consolidated financial statements commencing on January 1, 2011 with earlier adoption permitted as of the beginning of a fiscal year. The Fund has chosen not to early adopt this new standard. The Fund is assessing the impact of the new standard on its consolidated financial statements.

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In October 2008, the CICA issued Handbook Section 1582, Business Combinations (Section 1582), concurrently with Handbook Section 1601, Consolidated Financial Statements (Section 1601), and Handbook Section 1602, Non-controlling Interests (Section 1602). Section 1582, which replaces CICA Handbook Section 1581, Business Combinations, establishes standards for the measurement of a business combination and the recognition and measurement of assets acquired and liabilities assumed. Section 1601, which replaces CICA Handbook Section 1600, Consolidated Financial Statements, carries forward the existing Canadian guidance on aspects of the preparation of consolidated financial statements subsequent to acquisition other than non-controlling interests. Section 1602 establishes guidance for the treatment of non-controlling interests subsequent to acquisition through a business combination. These new standards are

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three months ended March 31, 2010 and 2009

(unaudited, in thousands of U.S. dollars, except per unit/exchangeable LP unit information and where otherwise stated)

effective for the Fund's interim and annual consolidated financial statements commencing on January 1, 2011 with earlier adoption permitted as of the beginning of a fiscal year. The Fund will consider the impact of the new standards on its consolidated financial statements if the Fund has a business combination.

(b) International Financial Reporting Standards (IFRS):

In February 2008, the Canadian Accounting Standards Board (AcSB) confirmed that IFRS will be mandatory in Canada for profit-oriented publicly accountable entities for fiscal periods beginning on or after January 1, 2011. The Fund's first IFRS financial statements will be for the year ending December 31, 2011 and will include the comparative period for 2010. Starting in the first quarter of 2011, the Fund will provide unaudited consolidated financial information in accordance with IFRS including comparative figures for 2010. These consolidated financial statements will include restated 2010 annual and interim-financial statement information to be consistent with the new IFRS basis, as well as reconciliations of equity and net earnings for the previously reported Canadian GAAP accounts.

The Fund is nearing the completion of its evaluation of accounting policy differences between Canadian GAAP and IFRS based on management's current understanding of these standards. However, the financial reporting impact of the transition to IFRS has not yet been finally determined.

3. INVENTORIES

	March 31 2010	December 31 2009
Raw materials	\$15,135	\$17,714
Work in process	11,757	14,154
Finished goods	1,257	117
	\$28,149	\$31,985

Inventory includes the cost of materials purchased, the cost of conversion as well as other costs required to bring the inventory to its present location and condition. Inventory costs including the allocation of fixed production overhead is based on normal production capacity of the manufacturing facilities. In addition, as a result of the seasonality of the Fund's results, the Fund has recorded \$493 during the three-month period ended March 31, 2010, (for the three-month period ended March 31, 2009 - \$5,336) of unabsorbed fixed overhead costs in work in process and as a credit to cost of sales. These costs are expected to be absorbed and recorded in cost of goods sold by the end of 2010.

Inventory costs included in cost of goods sold for the three months ended March 31, 2010, were \$138,698 (three-month period ended March 31, 2009 - \$134,804).

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During the three-month period ended March 31, 2010, the Fund recorded inventory write-downs in cost of goods sold of \$1,020 (three-month period ended March 31, 2009 - \$2,576), and reversals of previously written-down amounts of \$165 (three-month period ended March 31, 2009 - \$767). Work in process and finished goods inventory produced without customer orders are written down to a net realizable value of nil and subsequently written up when a valid customer order is received.

4. LONG-TERM DEBT AND BANK INDEBTEDNESS:

Amounts outstanding under the credit facilities are shown in the table below:

	March 31 2010	December 31 2009
Credit agreement:		
Term loan	\$ 388,207	\$ 395,364
Unamortized transaction costs	(2,748)	(3,344)
	385,459	392,020
Less current portion	28,624	28,624
	\$ 356,835	\$ 363,396

On May 5, 2006, in connection with the conversion to an income trust, a five-year term senior secured credit facility for \$825,000 was executed maturing on May 6, 2011. The credit facility consisted of a \$675,000 term loan, a \$100,000 U.S. revolving credit facility and a \$50,000 Canadian revolving credit facility that bore interest at LIBOR plus 175 basis points subject to, in the case of revolving credit borrowings, financial ratios. The term loan under the credit facility required principal repayments at the rate of 1% per annum, on a quarterly basis. In addition, the Fund may at its option prepay principal amounts outstanding without incurring penalties. The amounts outstanding under the facilities are secured by substantially all of the assets of the Fund. At March 31, 2010, the Fund has unamortized transaction costs relating to this loan of \$1,276.

During 2007, the Fund amended certain provisions under the credit facility, primarily to provide for a buyback of a specified number of units with an aggregate acquisition cost of up to \$100,000 and to increase flexibility under certain financial covenants. Concurrently, the associated interest rate on borrowings increased from LIBOR plus 175 basis points to LIBOR plus 200 basis points. At March 31, 2010 the Fund has unamortized transaction costs of \$637 in connection with this amendment.

On March 30, 2009, the Fund amended certain provisions under the credit facility, primarily to permit the Fund to use up to \$150,000 to repurchase term advances outstanding under the senior secured credit facility at prices below par through one or more "modified Dutch" auctions during a one-year period ending March 29, 2010. Concurrently, the Fund agreed to the following conditions:

- (i) a loan repayment of \$35,000 to be made on March 30, 2009 upon amendment effectiveness;
- (ii) increase in the gross quarterly principal repayments to \$10,000 starting with the June 30, 2009 payment;

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- (iii) suspension of all unit distributions and unit buybacks until the May 5, 2011 scheduled maturity of the credit facility; and
- (iv) reduction in the revolving credit commitment by \$50,000 to \$100,000. The reduction is allocated proportionately to both the U.S. and Canadian revolving credit facilities.

There were no amendments to the financial covenants nor changes to the interest rate spread on borrowings. At March 31, 2010, the Fund has unamortized transaction costs of \$835 in connection with this amendment.

Future minimum repayments of long-term debt for the fiscal years ending December 31 are as follows:

2010	\$21,467
2011	366,740
	<u>\$388,207</u>

As of March 31, 2010, the revolving credit facilities were undrawn, except for issued Letters of Credit totaling approximately \$14,254. The terms of the credit agreement require the Fund to comply with certain financial and other covenants over the term of the facility.

The credit agreement and related amendments have the following significant covenants:

- Leverage not to exceed 3.00 x EBITA;
- Minimum interest coverage ratio of 4.00:1.00;
- Annual capital expenditures not to exceed \$150,000;
- Suspension of distributions and unit buyback until maturity of credit agreement;
- Minimum liquidity condition consisting of (i) cash on hand and revolver availability of \$37,500 at all times, and (ii) cash on hand and revolver availability of \$100,000 prior to offering to repurchase debt at an amount below par; and
- Restricted payment covenants.

As at March 31, 2010, the Fund was in compliance with all the terms of its credit agreement. Based on current internal forecasts, the Fund anticipates remaining compliant with its debt covenants for the remaining term of the debt.

Under the terms of the credit agreement, the Fund is obliged to make a mandatory offer to prepay the credit facilities from the following, subject to certain customary exceptions:

- (i) 75% of net cash proceeds of non-ordinary course asset sales subject to certain reinvestment rights;
- (ii) 50% of net proceeds of debt issuances;
- (iii) 75% of certain insurance proceeds in excess of \$5,000 subject to exceptions including replacement and repair of affected assets; and
- (iv) 50% of net proceeds of equity issuances.

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The weighted average interest rate for the three-month period ended March 31, 2010, was 6.8% (three-month period ended March 31, 2009 – 5.9%).

5. UNITHOLDERS' DEFICIENCY:

(a) Employee Unit Purchase Loan

During the year ended 2009, the Fund entered into two separate agreements to advance up to \$3,250 Canadian to named officers for the purpose of buying units of the Fund on the open market. At March 31, 2010, Cdn. \$2,419 (U.S. \$2,240) has been advanced for the purchase of 1,268,400 units. In accordance with EIC 132, "Share Purchase Financing", the employee unit purchase loan is included as a reduction of unitholders' equity. Interest is calculated at the rate prescribed for purposes of the Income Tax Act (Canada), which for the first quarter of 2010 was 1%. The balance outstanding is secured by the units purchased or any proceeds realized upon sale of the units. At March 31, 2010, the market value of the units held as collateral was Cdn. \$1,522. The loan is repayable in four equal annual installments commencing in the second quarter of 2011, or earlier under certain specified conditions. Interest of Cdn. \$6 (U.S. \$6) is recorded as a capital transaction which increases contributed surplus by the same amount.

	Three Months ended March 31	
	2010	2009
Opening balance	\$2,315	\$ -
Interest	6	-
Foreign currency adjustment	86	-
Closing balance	\$2,407	\$ -

(b) Long-term Incentive Plan (LTIP)

As of March 31, 2010 and 2009, no participation units were outstanding. The board terminated the LTIP effective April 12, 2010.

(c) Deferred Unit Plan

For the three months ended March 31, 2010, the Fund recorded compensation expense of \$89 (2009 – \$76), with an offsetting credit to contributed surplus as a result of the issuance of 75,255 (2009 – 106,061) Deferred Units under the Deferred Unit Plan.

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6. ACCUMULATED OTHER COMPREHENSIVE INCOME

	Three months ended March 31	
	2010	2009
Opening balance of foreign currency translation account	\$115,403	\$123,670
Change in foreign currency translation account	(8,823)	(4,540)
Partial release of foreign currency account to net earnings (note 8(c))	1,099	-
Closing balance, March 31	107,679	119,130
Opening balance of unrealized net loss of cash flow hedges	(19,648)	(24,555)
Release of other comprehensive income due to de-designated hedge (note 8 (a))	3,275	1,653
Closing balance, March 31	(16,373)	(22,902)
Accumulated other comprehensive income	\$91,306	\$96,228

The net tax effect on the items in accumulated other comprehensive income is nil because the net future income tax asset was reduced by a valuation allowance.

It is estimated that, over the next twelve-month period, \$13,100 will be released from accumulated other comprehensive income to the consolidated statement of earnings related to the settlement of the interest rate swap.

7. OTHER CHARGES (INCOME), NET

	Three months ended March 31	
	2010	2009
Gain on sale of property (a)	\$(7,460)	\$(1,746)
Facility restructuring (b)	285	3,046
	\$(7,175)	\$1,300

(a) Gain on sale of property

In January 2010, the Fund completed the sale of its owned distribution centre in Simi Valley, California for proceeds of \$14,000 less transaction costs, resulting in a gain of \$7,460. This gain was recorded to other income during the three-month period ended March 31, 2010.

In January 2009, the Fund completed a sale-leaseback transaction of its facility in Aurora, Illinois, for net cash proceeds of \$22,957. An immediate gain of \$1,746 was recorded to other income on the

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transaction. A further gain of \$9,548 has been deferred and is being amortized over the minimum lease term of five years. For the quarter ended March 31, 2010, \$477 (2009 – \$318) of the deferred gain has been amortized with the credit recorded to cost of goods sold.

(b) Restructuring charges

During the first quarter of 2010, the Fund announced its plan to close its games distribution facility in West Chester, Ohio, and relocate the operations to its existing Indianapolis, Indiana facility. During the quarter, costs of \$285, related to severance were recorded as other charges. At March 31, 2010, \$168 remained unpaid. This amount was recorded in accrued liabilities and is expected to be paid out in the second quarter of 2010.

In March 2009, the Fund finalized a plan to close its CD replication facility in Richmond, Indiana and relocate part of the operations to the Olyphant, Pennsylvania facility. Also in March 2009, the fund finalized a plan to close its Simi Valley, California distribution facility and relocate the operations to Nashville, Tennessee and Aurora, Illinois. During the three months ended March 31, 2009 costs of \$2,632 related to severance were recorded as other charges. At March 31, 2010, \$125 remained unpaid. This amount was recorded in accrued liabilities and is expected to be paid out in the second quarter of 2010.

In March 2009, the Fund finalized its plans to close the Swindon, UK, distribution facility that was acquired as part of the acquisition of the UK assets of ODS Business Services in June 2008. During the three months ended March 31, 2009, costs of \$414 related to severance, were recorded as other charges. At March 31, 2010, \$35 remained unpaid. This amount was recorded in accrued liabilities and is expected to be paid out by the end of 2010.

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(unaudited, in thousands of U.S. dollars, except per unit/exchangeable LP unit information and where otherwise stated)

8. OTHER INTEREST (INCOME) AND FINANCING CHARGES, NET:

	Three months ended March 31	
	2010	2009
Capital lease interest	\$60	\$103
Partial release of cumulative translation adjustment (a)	1,099	-
Release of other comprehensive income due to de-designation of hedge (b)	3,275	-
Hedge ineffectiveness of U.S. dollar-denominated debt	-	196
Mark-to-market adjustment of derivative liability (c)	(4,086)	-
Other	306	281
	\$654	\$580

(a) For the three months ended March 31, 2010, the Fund recorded a partial release of cumulative translation adjustment as a result of a reduction in the net investment in foreign self-sustaining subsidiaries.

(b) On December 15, 2009, the Fund ceased to account for the interest rate swap as a hedge as a result of the significant repurchases and repayments of debt during 2009 and the anticipated repayments until maturity. As a result of the discontinuation of hedge accounting, a release of accumulated other comprehensive income of \$3,275 was recorded in the three month period ended March 31, 2010. The balance of accumulated other comprehensive income at March 31, 2010 of \$16,373 will be amortized on a straight-line basis to other interest expense and financing charges until the maturity of the related debt in May 2011.

(c) As a result of ceasing to account for the interest rate swap as an effective hedge on December 15, 2009, the Fund is required to record the derivative liability at its fair value through the consolidated statements of earnings. A mark-to-market gain of \$4,086 was recorded in the three month period ended March 31, 2010.

9. PENSION AND NON-PENSION EMPLOYMENT BENEFIT PLANS:

The pension plan expenses of the Fund were as follows:

	Three months ended March 31	
	2010	2009
Defined contribution plans	\$485	\$973
Defined benefit plans	319	494
Multi-employer pension plans	-	219

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10. BASIC AND DILUTED EARNINGS (LOSS) PER UNIT/LIMITED PARTNERSHIP UNIT:

The reconciliation of the numerator and denominator for the calculation of basic and diluted earnings (loss) per unit/limited partnership unit is as follows:

	Three months ended March 31	
	2010	2009
Numerator:		
Net earnings (loss) from continuing operations	\$7,861	\$(17,606)
Net earnings (loss) from discontinued operations	-	(4,694)
Net earnings (loss)	\$7,861	\$(22,300)
Denominator (in thousands):		
Weighted Average units outstanding – basic	53,988	55,256
Effect of dilutive securities:		
Weighted average Deferred units	389	-
Weighted average Units associated with outstanding unit purchase loans	1,268	-
Weighted average number of units outstanding – diluted	55,645	55,256
Earnings (loss) per unit from continuing operations:		
Basic	\$0.15	\$(0.32)
Diluted	\$0.14	\$(0.32)
Loss per unit from discontinued operations:		
Basic	\$ -	\$(0.08)
Diluted	\$ -	\$(0.08)
Earnings (loss) per unit:		
Basic	\$0.15	\$(0.40)
Diluted	\$0.14	\$(0.40)

During the quarter ended March 31, 2009 there were 119,892 Weighted Average Deferred units excluded from the computation of diluted loss per unit as they were anti-dilutive.

Basic and diluted earnings (loss) per unit have been calculated using the weighted average and maximum dilutive number of units outstanding during the period.

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11. INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS:

The change in non-cash operating working capital was comprised of the following:

	Three months ended March 31	
	2010	2009
Decrease in accounts receivable	\$ 64,750	\$ 160,592
Decrease (increase) in income taxes receivable	4,077	(2,324)
Decrease in inventories	3,841	2,241
Decrease in prepaid expenses	3,739	3,868
Decrease in accounts payable and accrued liabilities	(89,870)	(108,669)
Increase in income taxes payable	7,635	775
	\$ (5,828)	\$ 56,483

12. SEGMENTED INFORMATION:

The Fund's reportable business segments are Home Video, CD, Video Game and Other.

The Home Video segment manufactures and distributes DVDs and high-definition discs. The CD segment manufactures and distributes CDs and CD-ROMs. The Video Game segment includes results from Ditan. The Other segment includes the business activity from the Wireless division, vendor managed inventory serviced provided by Vision as well as other non-core activities.

The accounting policies of the segments are the same as those described in the 2009 annual financial statements and in note 2 to the interim consolidated financial statements. The Fund evaluates segment performance based on earnings (loss) from continuing operations before impairment charges, interest expense and financing charges, gain on repurchase of debt, foreign exchange translation gains/losses, investment income, income taxes, and amortization (EBITA).

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Three months ended March 31, 2010					
Industry segments:	Home Video	CD	Video Game	Other	Total
Revenue from external customers	\$240,597	\$31,711	\$17,299	\$11,956	\$301,563
EBITA	33,660	(1,858)	2,210	1,475	35,487
Goodwill	-	-	40,634	-	40,634
Total assets	504,515	62,701	75,451	42,751	685,418
Amortization of property, plant and equipment	12,885	483	949	862	15,179
Amortization of intangible assets	4,421	-	1,092	198	5,711
Capital expenditures	4,926	-	-	250	5,176

Three months ended March 31, 2009					
Industry segments:	Home Video	CD	Video Game	Other	Total
Revenue from external customers	\$220,629	\$37,098	\$23,612	\$21,815	\$303,154
EBITA	22,266	(1,619)	3,507	3,887	28,041
Goodwill	12,718	2,968	40,944	5,461	62,091
Total assets	697,670	91,927	109,404	107,166	1,006,167
Amortization of property, plant and equipment	18,231	620	1,549	1,614	22,014
Amortization of intangible assets	8,877	-	1,092	198	10,167
Capital expenditures	16,734	10	127	497	17,368

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13. DISCONTINUED OPERATIONS

(a) Ivy Hill

On April 9, 2009, the Fund completed the sale of substantially all of the assets and liabilities of Ivy Hill Corporation (Ivy Hill), to Multi Packaging Solutions, Inc. (MPS). Accordingly, the results of operations of Ivy Hill were segregated and presented separately as discontinued operations in the consolidated financial statements for the three months ended March 31, 2009.

Prior to the classification as a discontinued operation, these results were reported within the Printing segment under the Fund's reportable industry segments. The Fund no longer reports a separate printing segment.

The results of the discontinued operations are as follows:

	Three months ended March 31
	2009
Revenue	\$ 23,195
Loss from discontinued operations before taxes	(5,169)
Income tax recovery	-
Loss from discontinued operations, net of income taxes	\$ (5,169)

The balance sheet related to the Ivy Hill discontinued operations at March 31, 2010 includes current liabilities of \$6,806.

These amounts have not been separately disclosed on the consolidated balance sheet at March 31, 2010 as they are not considered material.

The cash flow from discontinued operations for the three months ended March 31 is as follows:

	2010	2009
Loss from discontinued operations	\$ -	\$(5,169)
Amortization	-	124
Other	-	-
Change in non-cash working capital	(406)	1,463
Cash used in discontinued operating activities	(406)	(3,582)
Cash provided by discontinued investing activities	-	(11)
Total cash used in discontinued operations	\$ (406)	\$(3,593)

(b) Giant Merchandising

On May 2, 2008, the Fund completed the sale of Giant Merchandising's (Giant) assets connected with its retail license business to a division of Li & Fung for cash proceeds of \$5,961. Giant's remaining U.S. operations were liquidated during the second quarter of 2008 for proceeds of \$264 and on June 30, 2008, the Fund completed a share sale of Giant's subsidiary in Mexico to

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subsidiaries of Mias Fashion Manufacturing Company, Inc. for a nominal amount plus the assumption of certain liabilities and obligations in Mexico. Accordingly, effective June 30, 2008, the results of operations of Giant were segregated and presented separately as discontinued operations in the consolidated financial statements.

Prior to the classification as a discontinued operation, Giant's results were reported within the Other segment under the Fund's reportable industry segments.

The results of the discontinued operations are as follows:

	Three months ended March 31
	2009
Revenue	\$ -
Earnings (loss) from discontinued operations before taxes	475
Income tax expense (recovery)	-
Earnings (loss) from discontinued operations, net of income taxes	\$ 475

The cash flow from discontinued operations is as follows:

	Three months ended March 31
	2009
Earnings from discontinued operations	\$ 475
Change in non-cash working capital	(523)
Cash used in discontinued operating activities	(48)
Cash provided by (used in) discontinued investing activities	-
Total cash flow used in discontinued operations	\$ (48)

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