

Management's Report to Shareholders

Management is responsible for the preparation of the accompanying consolidated financial statements and all other information contained in this Annual Report. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, which involve management's best estimates and judgments, based on available information.

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

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

PricewaterhouseCoopers LLP serves as the Company's auditor. PricewaterhouseCoopers LLP's report on the accompanying consolidated financial statements follows. It outlines the extent of its examination as well as an opinion on the consolidated financial statements.

"Ellis Jacob"

Ellis Jacob
Chief Executive Officer

Toronto, Ontario

February 10, 2022

"Gord Nelson"

Gord Nelson
Chief Financial Officer



Independent auditor's report

To the Shareholders of Cineplex Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Cineplex Inc. and its subsidiaries (together, the Company) as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated balance sheets as at December 31, 2021 and 2020;
- the consolidated statements of operations for the years then ended;
- the consolidated statements of comprehensive loss for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP
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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Impairment assessment of goodwill, indefinite-lived intangible assets, property, equipment and leaseholds, right-of-use assets and definite lived intangible assets</p> <p>Refer to note 11 – Goodwill and impairment of long-lived assets and note 31 – Significant accounting policies, judgments and estimation uncertainty to the consolidated financial statements.</p> <p>As at December 31, 2021, the Company had \$636 million of goodwill, \$64 million of indefinite-lived intangible assets, \$464 million of property, equipment and leaseholds (PPE), \$769 million of right-of-use assets (ROU) and \$18 million of definite lived intangible assets.</p> <p>Goodwill and indefinite-lived intangible assets are tested for impairment annually or more frequently if specific events or circumstances dictate that the carrying amount of the asset group may not be fully recoverable. PPE, ROU and definite lived intangible assets (collectively, long-lived assets) are tested for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. In addition, for assets other than goodwill and indefinite-lived intangible assets, indicators are assessed considering whether an impairment loss previously recognized may no longer exist or may have decreased. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash inflows relating to the relevant intangible asset (cash-generating units or CGUs).</p>	<p>Our approach to addressing the matter included the following procedures, among others:</p> <ul style="list-style-type: none">• Evaluated how management determined the recoverable amounts of goodwill and indefinite-lived intangible assets CGUs and a sample of long-lived assets CGUs, which included the following:<ul style="list-style-type: none">– Tested the appropriateness of the method used and the mathematical accuracy of the discounted cash flow models.– Tested the reasonableness of the key assumptions used by management, including attendance and the related revenue growth rates, operating margins, variable and fixed cash flows and discount rates applied by management by comparing them to the budget, management's strategic plans approved by the Board of Directors and available third party published economic data, industry forecasts and historical trends.– Professionals with specialized skill and knowledge in the field of valuation assisted in testing the reasonableness of the discount rates applied by management based on available data of comparable companies.– Tested the underlying data used in the discounted cash flow models.



Key audit matter

How our audit addressed the key audit matter

An impairment loss, if estimated, is recognized for the amount by which the CGU's carrying value exceeds its recoverable amount. A reversal of impairment, if estimated, is recognized to a limit of increasing the carrying amount to the lower of the recoverable amount and the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized in prior periods. The recoverable amounts were determined based on the fair value less costs to sell method using discounted cash flow models. The key assumptions applied by management in estimating the recoverable amounts of the CGUs included attendance and the related revenue growth rates, operating margins, variable and fixed cash flows and discount rates.

Tested the disclosures made in the consolidated financial statements, particularly with regard to the sensitivity of the key assumptions used.

Shutdowns and restrictions in several provinces that materially affected operations represented a triggering event requiring impairment testing for long-lived assets, goodwill and indefinite-lived intangible assets at December 31, 2021.

The impairment tests described above resulted in PPE and ROU impairment charges of \$4 million. No impairment loss was required for goodwill, indefinite-lived intangible assets, or definite lived intangible assets.

We considered this a key audit matter due to (i) the significance of the balances and (ii) the significant judgment made by management in determining the recoverable amounts of the goodwill and indefinite-lived intangible assets CGUs and certain long-lived assets CGUs, including the use of key assumptions. This has resulted in a high degree of subjectivity and audit effort in performing audit procedures to test the key assumptions used by management, which involved significant judgment by management. Professionals with specialized skill and knowledge in the field of valuation assisted us in performing our procedures.



Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis, which we obtained prior to the date of this auditor's report and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and



are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Adam Boutros.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
February 10, 2022

Cineplex Inc.

Consolidated Balance Sheets

(expressed in thousands of Canadian dollars)

	December 31, 2021	December 31, 2020
Assets		
Current assets		
Cash and cash equivalents (note 3)	\$ 26,938	\$ 16,254
Trade and other receivables (note 4)	80,679	51,834
Income taxes receivable (note 8)	1,984	66,551
Inventories (note 5)	24,899	21,712
Prepaid expenses and other current assets	13,365	11,613
	<u>147,865</u>	<u>167,964</u>
Non-current assets		
Property, equipment and leaseholds (note 6)	464,439	555,340
Right-of-use assets (note 7)	768,675	881,418
Interests in joint ventures and associates (note 9)	7,423	8,644
Intangible assets (note 10)	81,651	84,922
Goodwill (note 11)	635,545	635,582
Derivative financial instrument (note 16)	9,240	—
	<u>\$ 2,114,838</u>	<u>\$ 2,333,870</u>

COVID-19 business impacts, risks and liquidity (note 2)

Commitments, guarantees and contingencies (note 27)

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

Cineplex Inc.

Consolidated Balance Sheets...continued

(expressed in thousands of Canadian dollars)

	December 31, 2021	December 31, 2020
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 12)	\$ 157,950	\$ 82,992
Share-based compensation (note 13)	—	482
Income taxes payable	1,945	802
Deferred revenue and other (note 20)	293,206	219,983
Lease obligations (note 15)	101,058	97,259
Fair value of interest rate swap agreements (note 28)	8,063	7,202
	<u>562,222</u>	<u>408,720</u>
Non-current liabilities		
Share-based compensation (note 13)	4,940	2,670
Long-term debt (note 16)	739,211	725,271
Fair value of interest rate swap agreements (note 28)	6,160	19,157
Lease obligations (note 15)	1,004,465	1,073,666
Post-employment benefit obligations (note 17)	9,973	11,503
Other liabilities (note 18)	7,590	68,649
	<u>1,772,339</u>	<u>1,900,916</u>
Total liabilities	<u>2,334,561</u>	<u>2,309,636</u>
Shareholders' (deficit) equity		
Share capital (note 19)	852,465	852,379
Deficit	(1,151,394)	(903,394)
Hedging reserves and other	(131)	(131)
Contributed surplus	80,027	75,882
Cumulative translation adjustment	(690)	(502)
Total shareholders' (deficit) equity	<u>(219,723)</u>	<u>24,234</u>
	<u>\$ 2,114,838</u>	<u>\$ 2,333,870</u>

Approved by the Board of Directors

“Phyllis Yaffe”
Director

“Janice Fukakusa”
Director

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

Cineplex Inc.

Consolidated Statements of Operations
For the years ended December 31, 2021 and 2020

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

	2021	2020
Revenues (note 20)		
Box office	\$ 236,320	\$ 132,820
Food service	186,998	108,632
Media	65,330	65,358
Amusement	134,473	77,901
Other	33,548	33,552
	<u>656,669</u>	<u>418,263</u>
Expenses		
Film cost	114,674	66,922
Cost of food service	41,683	30,667
Depreciation - right-of-use assets	102,247	128,393
Depreciation and amortization - other assets	113,042	124,846
Gain on disposal of assets (note 6)	(28,283)	(13,101)
Other costs (note 21)	439,554	375,690
Share of loss of joint ventures and associates (note 9)	755	8,409
Interest expense - lease obligations (note 15)	58,590	49,085
Interest expense - other	65,138	61,483
Interest income	(232)	(182)
Foreign exchange	(43)	57
Change in fair value of financial instruments (note 16)	(8,790)	—
Impairment of long-lived assets and goodwill (note 11)	3,717	294,863
	<u>902,052</u>	<u>1,127,132</u>
Loss from continuing operations before income taxes	<u>(245,383)</u>	<u>(708,869)</u>
Provision for income taxes (note 8)		
Current	3,339	(73,495)
Deferred	—	(11,373)
	<u>3,339</u>	<u>(84,868)</u>
Net loss from continuing operations	<u>\$ (248,722)</u>	<u>\$ (624,001)</u>
Net loss from discontinued operations, net of taxes (note 30)	<u>—</u>	<u>(4,952)</u>
Net loss	<u>\$ (248,722)</u>	<u>\$ (628,953)</u>
Net loss from continuing operations attributable to:		
Owners of Cineplex	\$ (248,722)	\$ (623,996)
Non-controlling interests	—	(5)
Net loss from continuing operations	<u>\$ (248,722)</u>	<u>\$ (624,001)</u>
Net loss attributable to:		
Owners of Cineplex	\$ (248,722)	\$ (628,948)
Non-controlling interests	—	(5)
Net loss	<u>\$ (248,722)</u>	<u>\$ (628,953)</u>
Net loss per share attributable to owners of Cineplex - basic and diluted:		
Continuing operations (note 22)	\$ (3.93)	\$ (9.85)
Discontinued operations (note 22)	—	(0.08)
Total operations	<u>\$ (3.93)</u>	<u>\$ (9.93)</u>

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

Cineplex Inc.

Consolidated Statements of Comprehensive Loss
For the years ended December 31, 2021 and 2020

(expressed in thousands of Canadian dollars)

	2021	2020
Net loss from continuing operations	<u>\$ (248,722)</u>	<u>\$ (624,001)</u>
Other comprehensive income (loss) from continuing operations		
<i>Items that will be reclassified subsequently to net income:</i>		
Foreign currency translation adjustment	(188)	378
Recognition of currency translation adjustment on disposition of discontinued operations (note 30)	—	(160)
<i>Items that will not be reclassified to net income:</i>		
Actuarial income (loss) of post-employment benefit obligations	722	(495)
Associated deferred income taxes expense	<u>—</u>	<u>133</u>
Other comprehensive income (loss) from continuing operations	<u>534</u>	<u>(144)</u>
Comprehensive loss from continuing operations	<u>(248,188)</u>	<u>(624,145)</u>
Net loss from discontinued operations, net of taxes (note 30)	—	(4,952)
Foreign currency translation adjustment from discontinued operations	<u>—</u>	<u>7</u>
Comprehensive loss	<u><u>\$ (248,188)</u></u>	<u><u>\$ (629,090)</u></u>
Comprehensive loss from continuing operations attributable to:		
Owners of Cineplex	\$ (248,188)	\$ (624,140)
Non-controlling interests	<u>—</u>	<u>(5)</u>
	<u><u>\$ (248,188)</u></u>	<u><u>\$ (624,145)</u></u>
Comprehensive loss attributable to:		
Owners of Cineplex	\$ (248,188)	\$ (629,085)
Non-controlling interests	<u>—</u>	<u>(5)</u>
	<u><u>\$ (248,188)</u></u>	<u><u>\$ (629,090)</u></u>

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

Cineplex Inc.

Consolidated Statements of Changes in Equity For the years ended December 31, 2021 and 2020

(expressed in thousands of Canadian dollars)

	Share capital	Contributed surplus	Hedging reserves and other	Cumulative translation adjustment	Deficit	Non- controlling interests	Total
January 1, 2021	\$ 852,379	\$ 75,882	\$ (131)	\$ (502)	\$ (903,394)	\$ —	\$ 24,234
Net loss	—	—	—	—	(248,722)	—	(248,722)
Other comprehensive income (loss) (page 4)	—	—	—	(188)	722	—	534
Total comprehensive loss	—	—	—	(188)	(248,000)	—	(248,188)
Share option expense	—	1,903	—	—	—	—	1,903
PSU/RSU expense	—	2,388	—	—	—	—	2,388
Settlement for cancelled options	—	(60)	—	—	—	—	(60)
Issuance of shares on exercise of options	86	(86)	—	—	—	—	—
December 31, 2021	\$ 852,465	\$ 80,027	\$ (131)	\$ (690)	\$ (1,151,394)	\$ —	\$ (219,723)
January 1, 2020	\$ 852,379	\$ 4,052	\$ (131)	\$ (887)	\$ (264,310)	\$ (109)	\$ 590,994
Net loss	—	—	—	—	(628,948)	(5)	(628,953)
Other comprehensive loss (page 4)	—	—	—	385	(522)	—	(137)
Total comprehensive loss	—	—	—	385	(629,470)	(5)	(629,090)
Dividends declared	—	—	—	—	(9,500)	—	(9,500)
Share option expense	—	1,152	—	—	—	—	1,152
PSU/RSU expense	—	76	—	—	—	—	76
Settlement for cancelled options	—	(453)	—	—	—	—	(453)
Conversion to equity- settled option plan	—	3,944	—	—	—	—	3,944
Conversion to equity- settled PSU/RSU plan	—	311	—	—	—	—	311
Issuance of convertible debentures	—	66,800	—	—	—	—	66,800
Non-controlling interests acquired	—	—	—	—	(114)	114	—
December 31, 2020	\$ 852,379	\$ 75,882	\$ (131)	\$ (502)	\$ (903,394)	\$ —	\$ 24,234

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

Cineplex Inc.

Consolidated Statements of Cash Flows
For the years ended December 31, 2021 and 2020

(expressed in thousands of Canadian dollars)

	2021	2020
Cash provided by (used in)		
Operating activities		
Net loss from continuing operations	\$ (248,722)	\$ (624,001)
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization - other assets	113,042	124,846
Depreciation - right-of-use assets	102,247	128,393
Unrealized foreign exchange	55	342
Interest rate swap agreements - non-cash interest	(12,730)	13,922
Accretion of convertible debentures and notes payable	15,973	7,471
Other non-cash interest	960	1,396
Gain on disposal of assets	(28,283)	(13,101)
Deferred income taxes (note 8)	—	(11,373)
Non-cash share-based compensation	4,292	1,228
Change in fair value of financial instruments	(8,790)	—
Impairment of long-lived assets, goodwill and investments (note 11)	3,717	294,863
Net change in interests in joint ventures and associates	1,805	12,878
Changes in operating assets and liabilities (note 26)	117,438	(43,178)
Net cash provided by (used in) operating activities	61,004	(106,314)
Investing activities		
Proceeds from disposal of assets, net (notes 6 and 7)	63,215	80,920
Purchases of property, equipment and leaseholds	(23,627)	(73,411)
Intangible assets additions	(9,200)	(9,005)
Tenant inducements	8,068	24,296
Net cash received from CDCP	1,995	3,910
Net cash provided by investing activities	40,451	26,710
Financing activities		
Dividends paid	—	(19,000)
Repayments under credit facilities, net (note 16)	(246,000)	(119,000)
Repayments of lease obligations - principal	(88,259)	(91,946)
Issuance of convertible debentures, net (note 16)	—	303,063
Issuance of notes payable, net (note 16)	243,996	—
Financing fees	(863)	(1,500)
Net cash (used in) provided by financing activities	(91,126)	71,617
Effect of exchange rate differences on cash	355	552
Increase (decrease) in cash and cash equivalents from continuing operations	10,684	(7,435)
Cash flows used in discontinued operations (note 30)	—	(2,391)
Cash and cash equivalents - Beginning of period	16,254	26,080
Cash and cash equivalents - End of period	\$ 26,938	\$ 16,254
Supplemental information		
Cash paid for interest - lease obligation	\$ 56,708	\$ 32,371
Cash paid for interest - other	\$ 52,143	\$ 47,859
Cash received for income taxes, net	\$ (62,329)	\$ (16,297)

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

Cineplex Inc.

Notes to Consolidated Financial Statements
For the years ended December 31, 2021 and 2020

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

1. General information

Cineplex Inc. (“Cineplex”) an Ontario, Canada corporation, is one of Canada’s largest entertainment organizations, with theatres and location-based entertainment venues in ten provinces. Cineplex also operates businesses in digital commerce, cinema media, digital place-based media and amusement solutions through its wholly owned subsidiaries, Cineplex Entertainment Limited Partnership (the “Partnership”), Famous Players Limited Partnership (“Famous Players”), Galaxy Entertainment Inc. (“GEI”), Cineplex Digital Media Inc. (“CDM”), and Player One Amusement Group Inc. (“PIAG”). Cineplex is headquartered at 1303 Yonge Street, Toronto, Ontario, M4T 2Y9.

On December 15, 2019, Cineplex entered into an arrangement agreement (the “Arrangement Agreement”) with Cineworld Group, plc (“Cineworld”), pursuant to which an indirect wholly-owned subsidiary of Cineworld agreed to acquire all of the issued and outstanding common shares of Cineplex (“Shares”) for \$34.00 per share in cash (the “Cineworld Transaction”). The Cineworld Transaction was to be implemented by way of a statutory plan of arrangement under the *Business Corporation Act* (Ontario).

On June 12, 2020, Cineworld delivered a notice (the “Termination Notice”) to Cineplex purporting to terminate the Arrangement Agreement. In the Termination Notice, Cineworld alleged that Cineplex took certain actions that constituted breaches of Cineplex’s covenants under the Arrangement Agreement including failing to operate its business in the ordinary course. In addition, Cineworld alleged that a material adverse effect had occurred with respect to Cineplex. Cineworld’s repudiation of the Arrangement Agreement was acknowledged by Cineplex and the Cineworld Transaction did not proceed. Cineplex vigorously denied Cineworld’s allegations.

On July 3, 2020, Cineplex announced that it had commenced an action in the Ontario Superior Court of Justice (the “Court”) against Cineworld and 1232743 B.C. Ltd. seeking damages arising from what Cineplex claimed was a wrongful repudiation of the Arrangement Agreement. The claim sought damages, including the approximately \$2,180,000 that Cineworld would have paid upon the closing of the Cineworld Transaction for Cineplex’s securities, reduced by the value of the Cineplex securities retained by its security holders, as well as compensation for other losses including the loss to Cineplex of expected synergies, the failure of Cineworld to repay or refinance Cineplex’s approximately \$664,000 in debt, and transaction expenses. Cineplex also advanced alternative claims for damages for the loss of benefits to its security holders, and to require Cineworld to disgorge the benefits it improperly received by wrongfully repudiating the Cineworld Transaction.

On July 6, 2020, Cineworld announced that it would defend Cineplex’s claim, and on September 2, 2020, filed its Statement of Defence and Counterclaim in which it denied Cineplex’s claims and advanced a counterclaim seeking reimbursement of £32,000 for costs incurred with respect to the transaction and an unspecified amount for punitive damages. Cineplex responded to Cineworld’s defence and counterclaim on September 15, 2020, denying all claims levied by Cineworld.

A trial of the action commenced before the Court on September 13, 2021 and continued until November 4, 2021.

On December 14, 2021, the Court released its decision in the action (the “Decision”). The Court held that Cineplex did not breach any of its covenants in the Arrangement Agreement, and that Cineworld had no basis for terminating the Arrangement Agreement. The Court held that Cineworld breached the Arrangement Agreement and repudiated the transaction to acquire Cineplex, which actions precluded Cineplex from seeking specific performance and entitled Cineplex to monetary damages. The Court awarded damages for breach of contract to Cineplex in the amount of \$1,240,000 on account of lost synergies, and \$5,500 for transaction costs, exclusive of pre-judgment interest. The Court also held that Cineplex’s shareholders did not have any rights under the Arrangement Agreement to enforce the agreement or sue Cineworld for any breach. The Court also denied Cineworld’s counterclaim against Cineplex.

Cineplex Inc.

Notes to Consolidated Financial Statements
For the years ended December 31, 2021 and 2020

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

On January 12, 2022, Cineworld filed a Notice of Appeal with the Court of Appeal for Ontario and on January 27, 2022, Cineplex filed its Notice of Cross Appeal.

Due to uncertainties inherent in appeals, it is not possible for Cineplex to predict the timing or final outcome of the appeal of the Decision announced by Cineworld. Further, even if Cineworld's appeal is not successful, Cineworld may not have the ability to pay the full amount of any damages or costs awarded by the Court. Therefore no amount has been accrued as a receivable.

The Board of Directors approved these consolidated financial statements on February 10, 2022.

2. COVID-19 business impacts, risks and liquidity

In early 2020, the outbreak of COVID-19 was confirmed in multiple countries throughout the world and on March 11, 2020, it was declared a global pandemic by the World Health Organization ("WHO"). In response, Cineplex immediately introduced enhanced cleaning protocols and reduced theatre capacities to promote social distancing. By mid-March 2020, each of Canada's provinces and territories had declared a state of emergency resulting in, among other things, the mandated closure of non-essential businesses, restrictions on public gatherings and quarantining of people who may have been exposed to the virus. On March 16, 2020, Cineplex announced the temporary closure of all of its theatres and LBE venues across Canada, as well as substantially all route locations operated by P1AG. On August 21, 2020, Cineplex reopened its entire circuit of theatres and LBE venues, however, theatre operations and LBE venues were continuously impacted by additional government mandated restrictions and closures over the next several quarters.

As of July 17, 2021, Cineplex had reopened its entire circuit of theatres subject to capacity restrictions in some cases, after months of extended closure periods. The reopening included Cineplex's then 161 theatre locations, encompassing 1,656 screens across Canada including 18 VIP Cinemas locations. As restrictions were temporarily eased in markets in which Cineplex operated, Cineplex also reopened its LBE venues across Canada as well as route locations operated by P1AG. All theatres, LBE venues and P1AG route locations continue to operate with enhanced safety and cleaning measures to ensure the safety of Cineplex's employees and customers.

Effective December 18, 2021, due to the rise of the Omicron variant, capacity restrictions were reinstated in Ontario, Cineplex's largest market, limiting indoor capacity to 50% along with prohibiting the consumption of concessions in theatres. Theatres in Quebec were also mandated to temporarily close effective December 20, 2021. Subsequent to December 31, 2021, social gathering restrictions were further modified or reinstituted in several key markets in which Cineplex operates, resulting in theatre closures and prohibiting indoor dining in Ontario. Cineplex was also required to temporarily close or reduce capacity in other provinces. Effective January 29, 2022, January 31, 2022 and February 7, 2022 theatres in New Brunswick, Ontario and Quebec were permitted to reopen at reduced capacity levels, respectively Cineplex is continuously monitoring operating restrictions and adjusts operating capacities in accordance with government directives.

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To mitigate the negative impact of COVID-19 and support its long-term stability, Cineplex has undertaken a variety of measures including:

Liquidity measures:

- June 2020: entered into the First Credit Agreement Amendment with The Bank of Nova Scotia as administrative agent to Cineplex's seventh amended and restated credit agreement (as amended, the "Credit Facilities") providing certain financial covenant relief in light of the COVID-19 pandemic and its impact on Cineplex's business (note 16, Long-term debt);
- July 2020: issued convertible unsecured subordinated debentures (the "Debentures") for net proceeds of \$303,000, (note 16, Long-term debt)
- November 2020: entered into the Second Credit Agreement Amendment providing further financial covenant relief (note 16, Long-term debt);
- December 2020: entered into an agreement to enhance and expand the SCENE loyalty program receiving \$60,000 with respect to the reorganization;
- January 2021: completed the sale and leaseback of Cineplex's head office buildings located at 1303 Yonge Street and 1257 Yonge Street, Toronto, Ontario for gross proceeds of \$57,000, (note 16, Long-term debt);
- January 2021: filed tax returns for the 2020 taxation year claiming a \$62,624 recovery of income taxes paid in prior periods (all of which has been received as of December 31, 2021);
- February 2021: entered into the Third Credit Agreement Amendment providing further financial covenant relief (note 16, Long-term debt);
- February 2021: issued 7.50% senior secured second lien notes due February 26, 2026 (the "Notes Payable") for net proceeds of \$243,266, (note 16, Long-term debt); and
- December 2021: entered into the Fourth Credit Agreement Amendment providing further financial covenant relief (note 16, Long-term debt).

Cost reduction and subsidy measures:

- temporary layoffs of all part-time and full-time hourly employees as well as a number of full-time employees who chose a temporary layoff rather than a salary reduction during the second quarter of 2020 and additional temporary layoffs of part-time employees beginning in December 2021 further expanding in the first quarter of 2022;
- reduced full-time employee salaries by agreement with such employees during the second and third quarters of 2020;
- suspended or deferred current capital spending, reviewing all capital projects to consider either deferral or cancellation;
- reduced non-essential discretionary operational expenditures (such as spending on marketing, travel and entertainment);
- implemented a more stringent review and approval process for all outgoing procurement and payment requests;
- continued negotiations with landlords for cash payments in exchange for the sale of contractual rights or negotiating rent relief, including abatements, reductions and deferral;
- worked with major suppliers and other business partners to modify the timing and quantum of certain contractual payments;
- reviewed and applied for government subsidy programs where available, including municipal and provincial property tax and energy rebates or subsidies;
- applied for the ongoing Canada Emergency Wage Subsidy ("CEWS"), which was launched by the Government of Canada, providing a variable subsidy for employee wages incurred from March 2020 to October 23, 2021;
- applied for the ongoing Canada Emergency Rent Subsidy ("CERS"), which was launched by the Government of Canada as a result of government mandated lockdowns, providing a variable subsidy for rent and other occupancy-related costs incurred from September 27, 2020 through October 23, 2021;
- applied for Canada's Tourism and Hospitality Recovery Program ("THRP") which provides wage and rent subsidies for businesses that have faced revenue losses, with a subsidy rate of up to 75%;

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- continued evaluation of Cineplex's eligibility under other relief programs; and
- continued the suspension of dividends.

Since the closure of its theatres and LBE venues in March 2020, Cineplex diligently prepared for their safe reopening, carefully re-examining all of its buildings and processes and implementing an industry-leading program with end-to-end health and safety protocols. In June 2021, Cineplex introduced its VenueSafe program, which encompasses all of Cineplex's health and safety protocols, in accordance with Canada's public health guidelines.

Canada's vaccination rate has made tremendous progress during the year with a high percentage of the eligible population receiving at least one dose of a COVID-19 vaccine and an increasing number having received two or three doses. With increasing concerns over more transmissible variants, including the highly transmissible new Omicron variant, the Canadian government has accelerated the rollout of COVID-19 vaccine booster doses providing extra protection against COVID-19 and its variants. In order to control the spread of COVID-19, the majority of provinces across Canada require proof of vaccination as part of the reopening plans in select settings including those that operate indoors with close proximity of patrons.

Although the lifting of some restrictions on theatre and LBE businesses commenced near the end of the second quarter of 2021 continuing into the third quarter, growing concerns over the high transmissivity of the Omicron variant causing a significant rise in COVID-19 cases in December 2021, has resulted in the reinstatement of numerous government imposed restrictions and lockdown measures. Government-imposed restrictions reinstituted in December 2021 in Ontario, New Brunswick, Nova Scotia, Prince Edward Island and British Columbia, reduced capacity limits to 50% and in certain provinces limited food sales and temporarily closed theatres in Quebec. Additional government-imposed restrictions subsequent to December 31, 2021 resulted in temporary theatre closures and prohibited indoor dining in Ontario, Newfoundland and New Brunswick. Effective January 29, 2022, January 31, 2022 and February 7, 2022 theatres in New Brunswick, Ontario and Quebec were permitted to reopen at reduced capacity levels, respectively. With the uncertainty of further government-imposed restrictions and the potential long-term effect that the pandemic may have on Cineplex's businesses, COVID-19 may continue to have a prolonged material negative impact on Cineplex's operations and return to profitability.

The capacity restrictions materially impacted Cineplex's ability to benefit from highly anticipated film releases released during the holiday season. Despite mandatory capacity restrictions that continue to be enforced where and as applicable, Cineplex recognized a significant increase in revenues during the fourth quarter, the highest since the pandemic was declared in early 2020. Cineplex will continue to monitor capacity restrictions and will adjust operating levels in accordance with government directives.

Management continues to pursue all viable options to maintain adequate liquidity to fund operations for the currently anticipated duration of the pandemic. This includes but is not limited to asset sales such as Cineplex's head office buildings in Toronto which was completed during the first quarter, the issuance of Notes Payable (note 16, Long-term debt) and amendments to its existing Credit Facilities (note 16, Long-term debt).

As at December 31, 2021, Cineplex had a cash balance of \$26,938 and \$270,702 available under its Revolving Facility subject to the liquidity covenants set forth in the Credit Facilities as amended (note 16, Long-term debt). Combined with the continued focus on reducing costs and capital expenditures, management believes that it has adequate liquidity to fund operations for the currently anticipated duration of the pandemic in the regions in which Cineplex operates.

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3. Cash and cash equivalents

Cash and cash equivalents comprise the following:

	2021	2020
Cash at bank and on hand, net of outstanding cheques	\$ 26,938	\$ 16,254

4. Trade and other receivables

Trade and other receivables comprise the following:

	2021	2020
Trade receivables	\$ 53,326	\$ 29,188
Other receivables	27,353	22,646
	<u>\$ 80,679</u>	<u>\$ 51,834</u>

5. Inventories

Inventories comprise the following:

	2021	2020
Food service inventories	\$ 7,815	\$ 3,023
Gaming inventories	9,673	12,088
Other inventories, including work-in-progress	7,411	6,601
	<u>\$ 24,899</u>	<u>\$ 21,712</u>

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6. Property, Equipment, and Leaseholds

Property, equipment and leaseholds consist of:

	Land	Buildings and leasehold improvements	Equipment	Construction- in-progress	Total
At January 1, 2021					
Cost	\$ 19,382	\$ 804,439	\$ 837,073	\$ 51,669	\$ 1,712,563
Accumulated depreciation	—	(520,436)	(636,787)	—	(1,157,223)
Net book value	\$ 19,382	\$ 284,003	\$ 200,286	\$ 51,669	\$ 555,340
Year ended December 31, 2021					
Opening net book value	\$ 19,382	\$ 284,003	\$ 200,286	\$ 51,669	\$ 555,340
Additions, net of transfers	—	38,859	33,184	(45,554)	26,489
Reclassification to interests in joint ventures and associates	—	—	(25)	—	(25)
Disposals	(10,196)	(1,666)	(1,430)	(593)	(13,885)
Impairment (note 11)	—	(943)	—	—	(943)
Foreign exchange rate changes	—	(7)	(253)	—	(260)
Depreciation for the year	—	(41,225)	(61,052)	—	(102,277)
Closing net book value	\$ 9,186	\$ 279,021	\$ 170,710	\$ 5,522	\$ 464,439
At December 31, 2021					
Cost	\$ 9,186	\$ 831,551	\$ 850,433	\$ 5,522	\$ 1,696,692
Accumulated amortization	—	(552,530)	(679,723)	—	(1,232,253)
Net book value	\$ 9,186	\$ 279,021	\$ 170,710	\$ 5,522	\$ 464,439
At January 1, 2020					
Cost	\$ 19,372	\$ 823,965	\$ 841,572	\$ 45,324	\$ 1,730,233
Accumulated depreciation	—	(480,554)	(586,881)	—	(1,067,435)
Net book value	\$ 19,372	\$ 343,411	\$ 254,691	\$ 45,324	\$ 662,798
Year ended December 31, 2020					
Opening net book value	\$ 19,372	\$ 343,411	\$ 254,691	\$ 45,324	\$ 662,798
Additions, net of transfers	10	19,152	17,499	11,664	48,325
Reclassification to assets held for sale	—	1	723	—	724
Disposals	—	(481)	(2,118)	(1,125)	(3,724)
Impairment (note 11)	—	(34,117)	(881)	(4,194)	(39,192)
Foreign exchange rate changes	—	(7)	(237)	—	(244)
Depreciation for the year	—	(43,956)	(69,391)	—	(113,347)
Closing net book value	\$ 19,382	\$ 284,003	\$ 200,286	\$ 51,669	\$ 555,340

In January 2021, Cineplex completed the sale and leaseback of its head office buildings located in Toronto, Ontario for \$57,000 gross proceeds, recognizing a gain of \$30,061 on the derecognition of \$11,870 of assets.

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7. Right-of-use-assets

Right-of-use assets consists of:

	<u>Property</u>	<u>Equipment</u>	<u>Total</u>
At December 31, 2021			
Cost	\$ 1,112,361	\$ 25,057	\$ 1,137,418
Accumulated depreciation	(355,164)	(13,579)	(368,743)
Net book value	<u>\$ 757,197</u>	<u>\$ 11,478</u>	<u>\$ 768,675</u>
Year ended December 31, 2021			
Balance - December 31, 2020	\$ 871,741	\$ 9,677	\$ 881,418
Modifications, net of additions	(13,776)	6,318	(7,458)
Reclassification to interests in joint ventures and associates	(225)	—	(225)
Foreign exchange rate changes	(39)	—	(39)
Depreciation for the period	(97,730)	(4,517)	(102,247)
Impairment (note 11)	(2,774)	—	(2,774)
Closing net book value	<u>\$ 757,197</u>	<u>\$ 11,478</u>	<u>\$ 768,675</u>
	<u>Property</u>	<u>Equipment</u>	<u>Total</u>
At December 31, 2020			
Cost	\$ 1,132,613	\$ 19,843	\$ 1,152,456
Accumulated depreciation	(260,872)	(10,166)	(271,038)
Net book value	<u>\$ 871,741</u>	<u>\$ 9,677</u>	<u>\$ 881,418</u>
Year ended December 31, 2020			
Balance - December 31, 2019	\$ 1,218,054	\$ 14,795	\$ 1,232,849
Modifications, net of additions	(144,078)	(4)	(144,082)
Disposals	(7,151)	—	(7,151)
Foreign exchange rate changes	39	2	41
Depreciation for the period	(123,277)	(5,116)	(128,393)
Impairment (note 11)	(71,846)	—	(71,846)
Closing net book value	<u>\$ 871,741</u>	<u>\$ 9,677</u>	<u>\$ 881,418</u>

COVID-19 resulted in closures of substantially all leased properties and the suspension of the use of most equipment for periods in both 2020 and 2021 (note 2, COVID-19 business impacts, risks and liquidity). Beginning in the third quarter of 2020, Cineplex agreed to a variety of arrangements with landlords to reduce or defer payments. The effect of those abatements, reductions and/or deferrals reduced both lease obligations and right-of-use assets by approximately \$35,834 and \$129,085 for the years ended December 31, 2021 and 2020, respectively.

In 2021, Cineplex disposed of certain protective rights on leased properties in exchange for \$6,436 cash proceeds (2020 - \$21,000), reducing right-of-use assets. In 2020, Cineplex recognized a gain of \$13,780 on the derecognition of \$7,220 of right-of-use assets.

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8. Deferred income taxes

Based on substantively enacted corporate tax rates, expected timing of reversals and expected taxable income allocation to various tax jurisdictions, deferred income taxes are as follows:

	2021	2020
Deferred income tax assets		
Property, equipment and leaseholds and deferred tenant inducements		
- difference between net carrying value and undepreciated capital cost \$	11,653	\$ 12,494
Accounting provisions not currently deductible	93,663	83,900
Deferred revenue	15,929	16,243
Interest rate swap agreements	3,614	6,943
Income tax credits available	3,789	397
Operating losses available for carry-forward and carry-back	81,844	24,656
Total gross deferred income tax assets	210,492	144,633
Future deferred tax liabilities		
Intangible assets	(9,854)	(10,151)
Goodwill	(29,909)	(27,841)
Other	5,614	4,892
Convertible debentures	(23,961)	(24,464)
Total gross deferred income tax liabilities	(58,110)	(57,564)
Net deferred income tax recognized	\$ —	\$ —

At December 31, 2020 the recoverability of the net deferred income tax assets in the normal course of business was uncertain and accordingly the net deferred tax assets were derecognized. Cineplex will evaluate the likelihood of recoverability in the ordinary course of business at each balance sheet date, and will recognize net deferred tax assets when and if appropriate.

The 2021 current tax expense represents Ontario corporate minimum tax paid on the filing of 2020 tax returns as a result of losses carried back to offset taxable income. The minimum tax paid is creditable against future Ontario corporate income tax payable.

In 2021, Cineplex recovered income taxes paid in prior periods of \$62,624 as a result of its tax returns filed for the 2020 taxation year.

By Notice of Reassessment (“NOR”) dated January 22, 2019, the Canada Revenue Agency (“CRA”), disallowed the deduction of \$26,600 of losses of AMC Ventures Inc. (“AMC”) that Cineplex had obtained on the acquisition of AMC in 2012. The disallowance of the losses, which offset taxable income generated in 2014, increased taxes and interest payable by approximately \$8,600, 50% of which was required to be paid immediately (interest continues to accrue on the unpaid amount). Cineplex disagrees with the CRA’s position, and has commenced an appeal to the Tax Court of Canada in respect of the NOR. On June 28, 2021, Cineplex received a response from the Attorney General of Canada representing the CRA confirming its position with respect to the disallowance of the losses. The appeals process is continuing and Cineplex believes that it should prevail in defending its original filing position, although no assurance can be given in this regard as the appeal process proceeds.

Cineplex’s combined statutory income tax rate at December 31, 2021 was 26.3% (2020 - 26.8%).

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The provision for income taxes included in the consolidated statement of operations differs from the statutory income tax rate for the years ended December 31, 2021 and 2020 as follows:

	2021	2020
Income from continuing operations before income taxes	\$ (245,383)	\$ (708,869)
Combined statutory income tax rates for the current year	<u>26.25 %</u>	<u>26.81 %</u>
Income taxes (recoverable) payable at statutory rate	(64,425)	(190,020)
Adjustments relating to prior periods	872	4,244
Goodwill impairment - permanent differences	—	19,447
Other permanent differences	1,757	(3,608)
Derecognition of deferred income tax assets	<u>65,135</u>	<u>85,069</u>
Provision for income taxes	<u>\$ 3,339</u>	<u>\$ (84,868)</u>

Adjustments relating to prior periods include differences between the prior year provision and the income tax returns as filed.

Non-capital losses available for carry-forward expire as follows:

2027	\$2,502
2028	8,822
2029	5,122
2030	2,184
2032	254
2034	1,947
2035	2,770
2036	2,749
2037	18,546
2038	3,110
2040	16,977
2041	221,169
Indefinite	<u>28,423</u>
	<u>\$ 314,575</u>

Losses denominated in US dollars are presented at the Canadian dollar equivalent using the December 31, 2021 exchange rate.

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9. Interests in joint ventures and associates

Cineplex participates in incorporated and unincorporated joint ventures with other parties and accounts for its interests using the equity method.

Canadian Digital Cinemas Partnership, ("CDCP"), is a joint venture formed by Cineplex and Empire Theatres Limited to finance the implementation of digital projectors. Cineplex leases its digital projectors from CDCP.

As part of the ongoing reorganization of Scene GP ("SCENE") which began in December 2020, Cineplex and its loyalty partner launched Scene+ on December 13, 2021 and as a result, Cineplex began equity accounting for its 50% economic interest in Scene LP ("Scene+"), the operator of the Scene+ loyalty program. Cineplex's share of Scene+'s loss from December 13, 2021 onwards is disclosed in the table below.

Other joint ventures include a 50% interest in a theatre operation (2020 - 50%), and a 50% interest in YoYo's Yogurt Cafe ("YoYo's") (2020 - 50%).

The joint ventures and associates are headquartered in Canada and the United States.

The net interest in joint ventures is summarized as follows as at December 31, 2021 and 2020:

2021		CDCP		Scene+		Other		Total
Ownership percentage		78.2%		33.3 %		17%-50%		
Voting percentage		50%		50 %		17%-50%		
Equity (Deficit)	\$	8,622	\$	4,001	\$	(3,232)	\$	9,391
Economic interest		78.2%		50%		50%		
	\$	6,742	\$	2,001	\$	(1,616)	\$	7,127
Accounts (payable) receivable		(1,197)		1		1,492		296
Net interest in joint ventures and associates	\$	5,545	\$	2,002	\$	(124)	\$	7,423
Interest at beginning of year	\$	8,639	\$	—	\$	5	\$	8,644
Interest recognized on equity accounting		—		(6,705)		—		(6,705)
Investment		—		9,500		—		9,500
Dividends or distributions		(1,955)		—		—		(1,955)
Net change in receivable or payable		(1,285)		—		(21)		(1,306)
Share of net income (loss)		146		(793)		(108)		(755)
Net interest in joint ventures and associates	\$	5,545	\$	2,002	\$	(124)	\$	7,423

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2020	CDCP	Other	Total
Ownership percentage	78.2 %	17%-50%	
Voting percentage	50 %	17%-50%	
Equity (Deficit)	\$ 10,935	\$ (2,977)	\$ 7,958
Economic interest	78.2 %	17 %	
	\$ 8,551	\$ (506)	\$ 8,045
Accounts receivable	88	511	599
Net interest in joint ventures and associates	\$ 8,639	\$ 5	\$ 8,644
Interest at beginning of year	\$ 24,578	\$ 3,643	\$ 28,221
Investments	(3,910)	—	(3,910)
Dividends or distributions	—	(2,790)	(2,790)
Net change in receivable or payable	(4,750)	282	(4,468)
Share of net loss	(7,279)	(1,130)	(8,409)
Net interest in joint ventures	\$ 8,639	\$ 5	\$ 8,644

The summarized balance sheets including 100% of the assets, liabilities and equity of each of the joint ventures at December 31 each year are as follows:

2021	CDCP	Scene+	Other	Total
Assets				
Cash and cash equivalents	\$ 1,423	\$ 4,561	\$ 1	\$ 5,985
Trade and other receivables	4,580	11,535	34	16,149
Prepaid expenses and other current assets	21	—	25	46
	6,024	16,096	60	22,180
Equipment	3,121	2,663	—	5,784
Total assets	\$ 9,145	\$ 18,759	\$ 60	\$ 27,964
Liabilities				
Accounts payable and accrued liabilities	\$ 365	\$ 14,381	\$ 753	\$ 15,499
Deferred revenue	158	—	—	158
	523	14,381	753	15,657
Long-term debt	—	377	2,539	2,916
Total liabilities	523	14,758	3,292	18,573
Equity (Deficit)	8,622	4,001	(3,232)	9,391
Total liabilities and equity	\$ 9,145	\$ 18,759	\$ 60	\$ 27,964

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2020	CDCP		Other		Total
Assets					
Cash and cash equivalents	\$	623	\$	85	\$ 708
Trade and other receivables		2,079		183	2,262
Inventories		—		31	31
Prepaid expenses and other current assets		60		25	85
		2,762		324	3,086
Equipment		10,135		9	10,144
Total assets	\$	12,897	\$	333	\$ 13,230
Liabilities					
Accounts payable and accrued liabilities	\$	1,804	\$	641	\$ 2,445
Deferred revenue		158		—	158
		1,962		641	2,603
Long-term debt		—		2,669	2,669
Total liabilities		1,962		3,310	5,272
Equity (Deficit)		10,935		(2,977)	7,958
Total liabilities and equity	\$	12,897	\$	333	\$ 13,230

The summarized statements of comprehensive income (loss) including 100% of the revenue, expenses and income of each of the joint ventures for the years ending December 31 are as follows:

2021	CDCP		Scene+		Other		Total
Revenues	\$	10,728	\$	890	\$	1,422	\$ 13,040
Depreciation and amortization		7,001		73		—	7,074
Interest expense		11		—		—	11
Other expenses		3,529		4,011		1,348	8,888
Total expenses		10,541		4,084		1,348	15,973
Net income (loss) and comprehensive income (loss)	\$	187	\$	(3,194)	\$	74	\$ (2,933)

2020	CDCP		Other		Total
Revenues	\$	6,484	\$	464	\$ 6,948
Depreciation and amortization		9,458		—	9,458
Interest income expense		23		92	115
Other expenses		6,312		1,187	7,499
Total expenses		15,793		1,279	17,072
Net loss and comprehensive loss	\$	(9,309)	\$	(815)	\$ (10,124)

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SCENE

In addition to the joint ventures which are equity accounted, Cineplex consolidates its 50% share of assets, liabilities, revenues and expenses of its joint operation, which includes SCENE, and up to December 12, 2021 Scene+.

In the fourth quarter of 2020, Cineplex announced that it had entered into an agreement with its existing partner to enhance and expand the SCENE loyalty program. Cineplex received \$60,000 in December 2020 from its existing partner with respect to the agreement to reorganize the program and reposition it for future growth. Cineplex continues to have joint control of the joint operation, and is entitled to and responsible for 50% of the economic benefits and obligations until specific non-financial milestones are met, resulting in the deferral of the recognition of the proceeds in other liabilities.

As part of the reorganization, Scene+ was launched on December 13, 2021 resulting in Scene LP becoming the operator of Scene+. As a result of this phase in the reorganization, Cineplex will no longer consolidate 50% of the results of Scene+. Cineplex will continue to consolidate 50% of SCENE which subsequent to December 12, 2021 holds the deferred revenue obligation for SCENE points issued up to December 12, 2021.

The summarized balance sheets of SCENE at December 31 are as follows (2020 figures include the combined balance sheets of SCENE and Scene+):

	2021	2020
Assets		
Cash and cash equivalents	\$ 9,957	\$ 13,527
Trade and other receivables	1,268	16,460
Prepaid expenses	196	1,320
	11,421	31,307
Intangible Assets	—	1,745
Equipment	—	137
Right-of-use assets	—	20
Promissory notes receivable from partners	19,000	—
Total assets	\$ 30,421	\$ 33,209
Liabilities		
Accounts payable and accrued liabilities	\$ 9,798	\$ 7,604
Deferred revenue	95,993	72,643
Lease obligations	—	21
Total liabilities	105,791	80,268
Deficiency	(75,370)	(47,059)
	\$ 30,421	\$ 33,209

The summarized combined results of operations of SCENE for the full year and Scene+ up to December 12, 2021 are as follows:

	2021	2020
Revenues	\$ 42,778	\$ 36,686
Expenses	84,502	52,130
Net loss	\$ (41,724)	\$ (15,444)

Cineplex and the other partner of SCENE and Scene+ contribute capital as required to fund SCENE's future redemption costs.

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10. Intangible assets

Intangible assets consist of the following:

	Customer relationships	Software and other	Trademarks and trade names	Total
At January 1, 2021				
Cost	\$ 32,755	\$ 55,224	\$ 63,599	\$ 151,578
Accumulated amortization	(28,936)	(37,720)	—	(66,656)
Net book value	<u>\$ 3,819</u>	<u>\$ 17,504</u>	<u>\$ 63,599</u>	<u>\$ 84,922</u>
Year ended December 31, 2021				
Opening net book value	\$ 3,819	\$ 17,504	\$ 63,599	\$ 84,922
Additions	—	9,487	—	9,487
Disposals	—	(1,348)	—	(1,348)
Reclassification to interests in joint ventures and associates	—	(609)	—	(609)
Foreign exchange rate changes	(36)	—	—	(36)
Amortization for the year	(1,763)	(9,002)	—	(10,765)
Closing net book value	<u>\$ 2,020</u>	<u>\$ 16,032</u>	<u>\$ 63,599</u>	<u>\$ 81,651</u>
At December 31, 2021				
Cost	\$ 32,706	\$ 60,502	\$ 63,599	\$ 156,807
Accumulated amortization	(30,686)	(44,470)	—	(75,156)
Net book value	<u>\$ 2,020</u>	<u>\$ 16,032</u>	<u>\$ 63,599</u>	<u>\$ 81,651</u>
At January 1, 2020				
Cost	\$ 32,988	\$ 47,152	\$ 63,599	\$ 143,739
Accumulated amortization	(24,764)	(30,608)	—	(55,372)
Net book value	<u>\$ 8,224</u>	<u>\$ 16,544</u>	<u>\$ 63,599</u>	<u>\$ 88,367</u>
Year ended December 31, 2020				
Opening net book value	\$ 8,224	\$ 16,544	\$ 63,599	\$ 88,367
Additions	—	8,546	—	8,546
Disposals	—	(514)	—	(514)
Reclassification to assets held for sale	—	(21)	—	(21)
Foreign exchange rate changes	(17)	60	—	43
Amortization for the year	(4,388)	(7,111)	—	(11,499)
Closing net book value	<u>\$ 3,819</u>	<u>\$ 17,504</u>	<u>\$ 63,599</u>	<u>\$ 84,922</u>

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

11. Impairment of long-lived assets and goodwill

Cineplex performs its annual test for impairment of goodwill and indefinite-lived intangible assets in the fourth quarter, in accordance with its policy described in note 31, Significant accounting policies, judgments and estimation uncertainty. Assessment of impairment for long-lived assets, including property, equipment, leaseholds, right-of-use assets, intangible assets and goodwill is performed more frequently as specific events or circumstances dictate triggering events and changes in circumstances indicate that the carrying amount of the asset group may not be fully recoverable. In addition, for assets other than goodwill and indefinite-lived intangible assets, indicators are assessed considering whether an impairment loss previously recognized may no longer exist or may have decreased.

In early 2020, in response to the outbreak of the COVID-19 pandemic as declared by the WHO, the government of Canada announced mandated closure of schools, public facilities and non-essential businesses. Consequently, effective March 16, 2020 and continuing throughout the remainder of the year, Cineplex had to either temporarily close its theatres and location-based entertainment venues or operate with strict capacity restrictions across its operations, resulting in material decreases in revenues, results of operations and cash flows and a material decrease in Cineplex's market value due to a sharp decline in its share price. These represented triggering events at each balance sheet date in 2020.

Increasing concerns over the new highly transmissible Omicron COVID-19 variant and increased daily COVID-19 case counts led to shutdowns and restrictions in several provinces that materially affected operations representing a triggering event requiring impairment testing for long-lived assets, indefinite-lived intangible assets and goodwill at December 31, 2021. During the fourth quarter of 2021, government imposed restrictions were reinstituted in Ontario, British Columbia, New Brunswick, Nova Scotia and Prince Edward Island, reducing capacity limits to 50% and requiring temporary theatre closures in Quebec. Further government-imposed restrictions were reinstated or modified subsequent to December 31, 2021 resulting in temporary theatre closures in Ontario, Newfoundland and New Brunswick. Based on the results of the impairment tests, Cineplex recognized non-cash impairment charges of \$943 to property, equipment and leaseholds and \$2,774 to right-of-use assets for the year ended December 31, 2021. If the discount rates were to increase by 2.0%, assuming a constant cash flow margin, or discounted cash flows were 13% less than estimated, there would not be any further material impairments to property, equipment and leaseholds, and right-of-use assets.

Fair value less cost to sell is determined using Level 3 inputs such as attendance and the related revenue growth rates, variable and fixed cash flows, operating margins, and discount rates based on Cineplex's internal budget. Cineplex projects revenue, operating margins and cash flows for a period of five years, and applies a perpetual long-term growth rate thereafter. In arriving at its forecasts, Cineplex considers past experience, economic trends such as inflation, as well as industry and market trends. Cineplex has considered the significant impact of COVID-19 on the business with the capacity restrictions and/or temporary theatre closures reinstated during and subsequent to December 2021. Estimates have been applied for the impact of temporary closures and for operations with capacity restrictions, for both Cineplex and customer locations for the first quarter of 2022. Subsequent to 2022, a range of estimates for growth in adjusted EBITDAaL from 1% to 6% has been applied across locations for the period 2023-2026 to reflect a staged reopening and other scenarios. Cineplex's estimated adjusted EBITDAaL for 2022 contemplates the latest information provided by government, at the measurement date, related to the timing of the lifting of restrictions on locations and available information related to the release of film content, as well as observable evidence from other territories of consumer behaviour upon the reopening of theatres.

Cineplex's projected revenue and cash flows for 2022 assume business will be negatively impacted by the further government-imposed restrictions reinstituted or modified in Ontario, Quebec, British Columbia, Newfoundland and New Brunswick subsequent to December 31, 2021. For every quarter Cineplex stays closed, additional impairment charges could be required.

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Discount rates applied to the groups of goodwill cash-generating units (“CGUs”) represent Cineplex’s assessment of the risks specific to each group of CGUs regarding the time value of money and individual risks of the underlying assets. Cineplex used discount rates between 8.0% and 13.6% (2020 - between 11.0% and 16.7%), and no change to the perpetual growth rates between 0.5% and 1.0% (2020 - between 0.5% and 1.0%), which are consistent with the observed long-term average growth rates in the exhibition, amusement and leisure, and digital media industries.

The determination of fair value less costs of disposal is sensitive to the growth rates, discount rates, and long-term growth rates used. The risk premiums expected by market participants related to uncertainties about the industry and assumptions relating to future cash flows may differ, depending on economic conditions and other events. Accordingly, it is reasonably possible that future changes in assumptions may negatively impact future assessments of the recoverable amount for groups of CGUs.

If the return to business continues to be delayed as a result of actions outside of the control of management, including but not limited to additional changes to the film slate release schedule, ongoing government restrictions impacting the re-opening of entertainment venues and delays in the vaccine roll out, management's estimates of operating results and further cash flows for the forecasted period may be negatively impacted. As a result, they may be insufficient to support the recoverability of goodwill and long lived assets in certain CGUs, thus requiring further impairment charges. Cineplex will continue to evaluate the recoverability of goodwill at the cash generating unit level on an annual basis during its fourth quarter and whenever events or changes in circumstances indicate there may be a potential impairment.

Impairment of long-lived assets and goodwill for the year ended December 31, 2021 and 2020 were as follows:

	2021	2020
Impairment of property, equipment and leaseholds	\$ 943	\$ 39,192
Impairment of right-of-use assets	2,774	71,846
Impairment of investments	—	2,790
Impairment of goodwill	—	181,035
Impairment of long-lived assets and goodwill	<u>\$ 3,717</u>	<u>\$ 294,863</u>

The following table discloses the change in goodwill for the years ended and December 31:

	2021	2020
Balance - Beginning of year	635,582	816,790
Goodwill impairment	—	(181,035)
Foreign exchange rate changes	(37)	(173)
Balance - End of year	<u>\$ 635,545</u>	<u>\$ 635,582</u>

For the purpose of impairment testing, goodwill has been allocated to CGUs or groups of CGUs. Total goodwill of the reporting segments are as follows:

	2021	2020
Exhibition	\$ 413,915	\$ 413,915
Media	206,385	206,385
Amusement and leisure	15,245	15,282
	<u>\$ 635,545</u>	<u>\$ 635,582</u>

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For goodwill, Cineplex concluded there were no non-cash impairment losses in the exhibition business within the Film Entertainment and Content segment. For one group of CGUs in the Film Entertainment and Content segment, if the discount rates were to increase by 2.0%, assuming a constant cash flow margin, or discounted cash flows were 13% less than estimated, the carrying amount of the group of CGUs would exceed the reasonable range for the recoverable amounts by \$5,200. The goodwill for this group of CGUs represents 8% of the total carrying amount of goodwill. For all other CGUs, no reasonably possible change in assumption would cause the recoverable amount to fall below the carrying value.

At the end of each future reporting period Cineplex will assess whether there are indications that the impairment loss recognised for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the Company will estimate the recoverable amount of that asset and may reverse previously recorded impairment losses.

12. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of:

	2021	2020
Accounts payable - trade	\$ 78,254	\$ 39,098
Film payables and accruals	27,244	3,700
Accrued salaries and benefits	24,442	14,915
Sales taxes payable	5,275	6,017
Accrued occupancy costs	4,272	4,868
Other payables and accrued liabilities	18,463	14,394
	<u>\$ 157,950</u>	<u>\$ 82,992</u>

13. Share-based compensation

Omnibus Incentive Plan (“Incentive Plan”)

On November 12, 2020, the Board of Directors approved a new Omnibus Incentive Plan (the “Incentive Plan”). This plan supersedes the former incentive plans (collectively, the “Legacy Plan”) that included Options, Performance Share Units (“PSUs”) and Restricted Share Units (“RSUs”). All employees and consultants are eligible to participate in the Incentive Plan. The Incentive Plan consists of stock options, RSUs and PSUs. Awards of RSUs and PSUs granted during a service year will be subject to a service period as determined by management at the time of issuance. The aggregate number of Shares that may be issued under the Incentive Plan is 3,487,960 provided that no more than 1,904,538 Shares may be issued in aggregate pursuant to the settlement of RSUs and PSUs. Options that were issued under the Legacy Plan and are subsequently cancelled will be available to be issued under the Incentive Plan. The base Share equivalents granted as RSU and PSU awards attract compounding notional dividends at the same rate as outstanding Shares, which are notionally re-invested as additional base Share equivalents. PSU and RSU awards may be settled in Shares issued from treasury, cash, or a mix of Shares and cash, at Cineplex’s option at the time of settlement. Awards outstanding under prior plans shall remain in full force and effect under the prior plans according to their respective terms. Under the prior plans, the effects of changes in estimates of performance results are recognized in the year of change. As at December 31, 2021, 1,489,143 Shares are available to be issued under the Incentive Plan (2020 - 2,111,140).

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Stock Options

Stock options issued under the Incentive Plan will be administered by the Board of Directors which will establish the exercise price at the time each option is granted, which in all cases will not be less than the market price on the grant date. All of the options must be exercised over specified periods not to exceed ten years from the date granted. Options issued under the Incentive Plan may be exercised for cash or on a cashless basis, both of which result in the issuance of Shares from treasury. Options granted will be accounted for as equity-settled.

Stock options have been granted as follows:

Grant date	Number of options granted	Exercise price	Number of employees granted options	Vesting period	Expiry
February 14, 2012	474,000	27.33	42	One third on each successive anniversary of the grant date	February 13, 2022
February 12, 2013	385,834	33.49	42	One third on each successive anniversary of the grant date	February 11, 2023
February 14, 2014	440,519	40.45	54	One third on each successive anniversary of the grant date	February 14, 2024
February 18, 2015	446,004	49.14	59	One fourth on each successive anniversary of the grant date	February 18, 2025
February 12, 2016	501,270	47.86	76	One fourth on each successive anniversary of the grant date	February 12, 2026
February 21, 2017	544,922	51.25	80	One fourth on each successive anniversary of the grant date	February 21, 2027
February 27, 2018	559,703	33.59	74	One fourth on each successive anniversary of the grant date	February 27, 2028
February 20, 2019	709,092	25.05	78	One fourth on each successive anniversary of the grant date	February 20, 2029
August 17, 2020	725,758	8.25	76	One fourth on February 17, 2021, 2022, 2023 and 2024	August 17, 2030
April 12, 2021	281,503	12.87	71	One fourth on each successive anniversary of the grant date	April 12, 2031
May 10, 2021	177,998	12.41	22	Fully vested on the first anniversary of the grant date	May 10, 2031

The exercise price was equal to the market price of Cineplex shares or units at the grant date.

Effective December 15, 2019, as a result of the terms of the Arrangement Agreement, options were considered cash-settled, and the fair value of the options outstanding in excess of their respective exercise price was recognized as a current share-based compensation liability, and changes in value were reflected in the statement of operations. Stock options impacted by the termination of the Arrangement Agreement were revalued and accounted for as equity-settled and any previously recognized share based compensation liability was reclassified to contributed surplus. The accelerated recognition of unvested options was reversed and is being recognized over their remaining vesting periods at the value determined at March 31, 2020. Forfeitures are estimated to be nominal, based on historical forfeiture rates.

Cineplex recorded \$1,903 of employee benefits expense with respect to the options during the year ended December 31, 2021 (2020 recovery - \$1,203). The intrinsic value of vested share options at December 31, 2021 is \$726 (2020 - \$nil), based on the closing Share price of \$13.49 per share (2020 - \$9.27). In 2021, 165,146 (2020 - 1,307,301) stock options issued under the Legacy Plan were cancelled for total consideration of \$60 (\$2020 - \$453) as part of a voluntary stock option cancellation program that was initiated in the fourth quarter of 2020.

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A summary of option activities in 2021 and 2020 is as follows:

		2021		2020	
	Weighted average remaining contractual life (years)	Number of underlying shares	Weighted average exercise price	Number of underlying shares	Weighted average exercise price
Options outstanding, January 1	7.64	2,042,019	\$ 25.37	3,123,521	\$ 38.62
Granted		459,501	12.69	725,758	8.25
Cancelled		(188,303)	43.90	(1,408,439)	44.70
Forfeited		(87,049)	21.89	(398,821)	29.64
Exercised		(27,363)	8.25	—	—
Options outstanding, December 31	7.44	<u>2,198,805</u>	\$ 21.48	<u>2,042,019</u>	\$ 25.37

At December 31, 2021 and 2020, options are vested and exercisable as follows:

	2021	2020
Options vested and exercisable at \$8.25	135,393	—
Options vested and exercisable at \$25.05	266,236	140,996
Options vested and exercisable at \$33.59	302,496	211,378
Options vested and exercisable at \$51.25	45,828	76,416
Options vested and exercisable at \$47.86	51,812	96,478
Options vested and exercisable at \$49.14	49,723	81,574
Options vested and exercisable at \$40.45	43,391	69,985
Options vested and exercisable at \$33.49	23,144	44,634
Options vested and exercisable at \$27.33	2,563	15,237
Options vested and exercisable at \$23.12	—	9,186
	<u>920,586</u>	<u>745,884</u>

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The fair values of options granted in 2021 and 2020 were determined using the Black-Scholes valuation model using the following significant inputs:

	2021	2020
Number of options granted	459,501	725,758
Share price	\$12.41 - \$12.87	\$ 8.25
Exercise price	\$12.41 - \$12.87	\$ 8.25
Expected option life (years)	4.0	4.0
Volatility	47 %	60 %
Dividend yield	— %	— %
Annual risk-free rate	0.68%-0.72%	0.27 %
Fair value of options granted	\$3.70 - \$3.83	\$ 3.15

Upon cashless exercises, the options exercised in excess of Shares issued are cancelled and returned to the pool available for future grants. At December 31, 2021, 532,760 options are available for grant (2020 - 1,900,606, of which a maximum of 1,200,000 were allocated to PSU/RSU availability in 2021).

RSU and PSU awards

	PSU Share equivalents granted	RSU Share equivalents granted	PSU Share equivalents minimum payout	PSU Share equivalents maximum payout
2021 LTIP awards granted in Q2 2021	167,546	315,619	—	335,092
2020 LTIP award granted in Q3 2020	284,214	277,105	—	568,428
2019 LTIP award granted in Q1 2019	105,777	54,940	7,788	211,553

RSU

Valuation of restricted stock units is based on Cineplex's closing Share price on the grant date. On April 12, 2021, Cineplex issued 262,487 equity settled RSUs with a fair value of \$12.87 per unit (total fair value of \$3,378 on issuance), that will fully vest in November 2023, at the completion of the three year performance period. On May 10, 2021, Cineplex issued 53,132 cash settled RSUs with a fair value of \$14.95 (total fair value of \$794 on issuance) and will fully vest on May 10, 2023. The valuation was based on Cineplex's Share price on the grant date and will fluctuate in value based on Cineplex's Share price.

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A summary of RSU activities during the years ended December 31, 2021 and 2020 is as follows:

	2021	2020
RSUs outstanding, January 1	295,189	93,835
Granted	315,619	277,105
Notional dividends	—	415
Settled	(44,014)	(37,572)
Cancelled	(30,420)	(38,594)
RSUs outstanding, December 31	536,374	295,189

The RSUs associated with the 2019 LTIP were settled in 2021 for \$586 cash.

PSU

On April 12, 2021, Cineplex issued 167,546 PSUs which will be equity-settled in November 2023, representing the completion of the three year performance period. Compensation expense is recorded based on the number of units expected to vest, the current market price of Cineplex's Shares, and the application of a performance multiplier that ranges from a minimum of zero to a maximum of two. Performance multipliers are developed based on Total Shareholder Return percentile rank relative to a select peer group and composite group. Participants will receive one fully paid Share issued from treasury that can vary depending on the achievement of established performance targets.

A summary of PSU activities during the years ended December 31, 2021 and 2020 is as follows:

	2021	2020
PSUs outstanding, January 1	333,908	183,323
Granted	167,546	284,214
Notional dividends	—	1,624
Settled	(88,422)	(18,455)
Cancelled	(1,774)	(116,798)
PSUs outstanding, December 31	411,258	333,908

Incentive Plan costs are estimated at the grant date based on expected performance results then accrued and recognized on a graded basis over the vesting period. Forfeitures are estimated to be nominal. For the year ended December 31, 2021, Cineplex recognized compensation cost of \$2,881 (2020 recovery - \$6,858) under the Incentive Plan relating to RSU and PSU. At December 31, 2021, \$207 (2020 - \$384) was included in current share-based compensation liability and \$2,776 in contributed surplus (2020 - \$nil).

The PSUs associated with the 2019 LTIP were settled in 2021 for \$82 cash.

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Deferred equity units

Members of the Board of Directors and certain officers of Cineplex may elect to defer a portion of their compensation in the form of deferred equity units. For the year ended December 31, 2021, Cineplex recognized compensation cost of \$1,184 (2020 recovery - \$8,246) associated with the deferred equity units. At December 31, 2021, \$4,733 (2020 - \$2,768) was included in share-based compensation liability.

14. Dividends payable

Cineplex has declared the following dividends during the years:

Record date	2021		2020	
	Amount	Amount per share	Amount	Amount per share
January	\$ —	\$ —	\$ 9,500	\$ 0.1500

The dividends are paid on the last business day of the following month. Dividends are at the discretion of the Board of Directors of Cineplex. Cineplex has not paid any dividends after the monthly dividend was paid on February 28, 2020 and does not expect to return to paying dividends as a result of Credit Facilities restrictions and the negative impact of the COVID-19 pandemic on liquidity.

15. Lease obligations

The following table presents lease obligations for Cineplex for the year ended December 31, 2021 and 2020:

	Property	Equipment	Total
Year ended December 31, 2021			
Opening balance	\$ 1,160,849	\$ 10,076	\$ 1,170,925
Modifications, net of additions	7,340	6,318	13,658
Tenant inducement	7,595	—	7,595
Lease payment	(141,067)	(3,900)	(144,967)
Interest expense	58,235	355	58,590
Reclassification to interests in joint ventures and associates	(226)	—	(226)
Foreign exchange rate changes	(52)	—	(52)
Closing lease obligations	\$ 1,092,674	\$ 12,849	\$ 1,105,523
Less: current portion	97,236	3,822	101,058
Non-current portion of lease obligations	\$ 995,438	\$ 9,027	\$ 1,004,465

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	Property	Equipment	Total
Year ended December 31, 2020			
Opening balance	\$ 1,352,541	\$ 15,054	\$ 1,367,595
Modifications, net of additions	(143,954)	(4)	(143,958)
Tenant inducement	22,587	—	22,587
Lease payment	(118,922)	(5,394)	(124,316)
Interest expense	48,664	420	49,084
Foreign exchange rate changes	(67)	—	(67)
Closing lease obligations	\$ 1,160,849	\$ 10,076	\$ 1,170,925
Less: current portion	92,869	4,390	97,259
Non-current portion of lease obligations	<u>\$ 1,067,980</u>	<u>\$ 5,686</u>	<u>\$ 1,073,666</u>

Current portion of lease obligations are net of estimated tenant inducements.

The following table discloses the undiscounted cash flow for lease obligations as of December 31:

	2021	2020
Less than one year	\$ 173,086	\$ 159,928
One to five years	637,415	635,088
More than five years	610,456	695,714
Total undiscounted lease obligations	<u>\$ 1,420,957</u>	<u>\$ 1,490,730</u>

The following table provides the lease amounts recognized in the statement of operations for the periods ended December 31:

	2021	2020
Depreciation expense on right-of-use assets	\$ 102,247	\$ 128,393
Interest expense on lease obligations	\$ 58,590	\$ 49,085
Expense relating to variable lease payments not included in the measurement of the lease obligations (i)	\$ 49,250	\$ 52,993

(i) Variable lease payments include realty taxes and insurance.

Cineplex conducts a significant part of its operations in leased premises. Leased premises include leases for theatre locations, location-based entertainment venues, route operation locations, warehouses and offices. Cineplex also leases equipment for use in its theatre operations and offices. Leases for premises generally provide for minimum rentals and, in certain situations, percentage rentals based on sales volume or other identifiable targets; and may require the tenant to pay a portion of realty taxes and other property operating expenses. Property lease terms generally range from 15 to 20 years and contain various renewal options, generally, in intervals of five to ten years. Equipment lease terms generally range from one to five years and may contain renewal options.

Cineplex records the landlord's share of amusement revenue under venue revenue share (note 21, Other costs). This balance consists of all variable rental payments paid to landlords. Certain contracts may contain a lease under the definition in IFRS 16, however no obligation is recorded because the payment is variable. Venue revenue share also includes fixed payments where Cineplex has concluded the contract does not contain a lease under IFRS 16.

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Some of the property leases in which Cineplex is the lessee contain fixed lease payments and variable lease payments that are derived from sales or attendance generated from the leased properties. Variable payments related to these leases for the period ended December 31, 2021 were not material.

16. Long-term debt

Long-term debt consists of the following as at December 31, 2021 and 2020:

	December 31, 2021	December 31, 2020
Credit Facilities	260,000	506,000
Convertible Debentures	234,472	219,271
Notes Payable	244,739	—
Total	<u>\$ 739,211</u>	<u>\$ 725,271</u>
Letters of credit reserved against Revolving Facility	\$ 10,966	\$ 10,234
Revolving Facility available	\$ 270,702	\$ 153,766

Cineplex has bank facilities with a syndicate of lenders which includes a revolving facility (the “Revolving Facility”) and non-revolving credit facility (the “Term Facility”, and together with the Revolving Facility, the “Credit Facilities”) pursuant to a seventh amended and restated credit agreement between Cineplex, Cineplex Entertainment Limited Partnership, the guarantors from time to time party thereto, and a syndicate of lenders dated November 13, 2018 (as further amended from time to time, the “Credit Agreement”). The Term Facility was repaid in full in the first quarter of 2021 and is no longer available for future borrowing.

The Credit Facilities bear interest at a floating rate based on the Canadian dollar prime rate, U.S. Base Rate, LIBOR or bankers’ acceptances rates plus, in each case, an applicable margin to those rates. The Revolving Facility matures in November 2023. Borrowings on the Revolving Facility can be made in either Canadian or US dollars.

Cineplex’s Credit Facilities contain restrictive covenants that limit the discretion of Cineplex’s management with respect to certain business matters. These covenants place limits and restrictions on, among other things, the ability of Cineplex to create liens or other encumbrances, to pay dividends or make certain other payments, minimum liquidity covenants, anti-hoarding provisions, investments, loans and guarantees and to sell or otherwise dispose of assets and merge or consolidate with another entity. The Credit Facilities are secured by all of Cineplex’s assets. The Revolving Facility is drawn upon and repaid on a regular basis and as such is presented on a net basis in the Statement of Cash flows.

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On June 29, 2020, Cineplex entered into the First Credit Agreement Amendment, following which, on November 12, 2020 Cineplex entered into the Second Credit Agreement Amendment, on February 8, 2021 Cineplex entered into the Third Credit Agreement Amendment and on December 30, 2021 Cineplex entered into the Fourth Credit Agreement Amendment. The amendments provided certain financial covenant relief in light of the COVID-19 pandemic and its effects on Cineplex's businesses, while applying additional restrictive covenants and required repayments in certain circumstances.

The following is a summary of the key terms of the Third Credit Agreement Amendment entered into on February 8, 2021 that are updated from the First and Second Credit Agreement Amendments (certain of which have been modified further by the Fourth Credit Agreement Amendment described below):

- The following amendments to the Credit Facilities became effective upon the completion of the issuance of \$250,000 Notes Payable during the first quarter of 2021:
 - The suspension of financial covenant testing was extended until the fourth quarter of 2021. On resumption of financial covenant testing in the fourth quarter of 2021:
 - for the fourth quarter of 2021, testing will be based on an annualized calculation of Adjusted EBITDA (as further adjusted in accordance with the Credit Agreement definitions) based on the actual results for such quarter;
 - for the quarter ending on March 31, 2022, testing will be based on an annualized calculation of Adjusted EBITDA based on actual results for the fourth quarter of 2021 and the first quarter of 2022 multiplied by 2; and
 - for the quarter ending on June 30, 2022, testing will be based on an annualized calculation of Adjusted EBITDA for the fourth quarter of 2021, the first quarter of 2022 and the second of 2022 multiplied by 4/3.
 - Thereafter, testing will be based on an annualized calculation of the cumulative Adjusted EBITDA on a trailing four fiscal quarter basis;
 - The Total Leverage Ratio of 3.75x will apply when financial covenants are reinstated, and will be reduced until the third quarter of 2022 at which point it will reach a level of 3.00x;
 - The liquidity covenant will continue and be amended and extended beginning in February 2021, through to and including December 2021, requiring available liquidity as defined on a monthly basis (November 1, 2020 through January 31, 2021 - \$100,000; February 2021 - \$75,000; March 2021 - \$60,000; April 1, 2021 through December 31, 2021 - \$100,000;
 - The addition of a Senior Leverage Ratio to be based on annualized Adjusted EBITDA and set at 1.0x lower than the Total Leverage Ratio. Senior Leverage Ratio to be defined as (i) Total Debt (as defined in the Credit Agreement) less any Notes Payable to (ii) Adjusted EBITDA;
 - Effective with the fourth quarter of 2021, additional growth capital expenditures will be subject to pro-forma Total Leverage covenant of 2.75x (both prior to and immediately after giving effect to any such growth capital expenditure) based on actual last 12 months' EBITDA; and
 - Distributions continue to be blocked during the extended financial covenant suspension period and only permitted when the Total Leverage ratio is less than 2.75x (both prior to and immediately after giving effect to any such distribution).

On December 30, 2021, Cineplex entered into the Fourth Credit Agreement Amendment, which, among other things, extended the suspension of financial covenant testing until the second quarter of 2022 and liquidity covenant requirement until June 30, 2022. The following is a summary of the key terms of the Fourth Credit Agreement Amendment:

- The suspension of financial covenant testing was extended until the second quarter of 2022. On resumption of financial covenant testing in the second quarter of 2022:

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- for the second quarter of 2022, testing will be based on an annualized calculation of Adjusted EBITDA (as further adjusted in accordance with the Credit Agreement definitions) based on the actual results for such quarter multiplied by 4;
 - for the quarter ending on September 30, 2022, testing will be based on an annualized calculation of Adjusted EBITDA based on actual results for the second quarter of 2022 and the third quarter of 2022 multiplied by 2; and
 - for the quarter ending on December 31, 2022, testing will be based on an annualized calculation of Adjusted EBITDA based on the actual results of the second quarter of 2022, the third quarter of 2022 and the fourth quarter of 2022 multiplied by 4/3.
- Thereafter, testing will be based on an annualized calculation of the cumulative Adjusted EBITDA on a trailing four fiscal quarter basis;
 - The Total Leverage Ratio of 3.75x will apply when financial covenants are reinstated, and will be reduced quarterly by 0.25x until the first quarter of 2023 at which point it will reach a level of 3.00x;
 - The liquidity covenant will continue and be amended requiring available liquidity (as defined) to be maintained at all times at no less than \$100,000;
 - The Senior Leverage Ratio to be based on annualized Adjusted EBITDA and set at 1.0x lower than the Total Leverage Ratio. Senior Leverage Ratio is defined as (i) Total Debt (as defined in the Credit Agreement) less any Notes Payable to (ii) Adjusted EBITDA; and
 - From and after April 1, 2022, a fixed charge coverage ratio of greater than 1.25x will apply.

During the first quarter of 2021, Cineplex completed a sale-leaseback transaction for its head office buildings located at 1303 Yonge Street and 1257 Yonge Street, Toronto Ontario for gross proceeds of \$57,000, recognizing a gain of \$30,061. Net proceeds from the sale, in addition to net proceeds from the issuance of the Notes Payable (discussed below) were used to repay the Credit Facilities, a portion of which was permanent. As a result, Cineplex permanently repaid the remaining \$50,000 balance of its outstanding Term Facility.

This summary of the Credit Agreement is qualified in its entirety by reference to the provisions of the Credit Agreement which contains a complete statement of those terms and conditions. The Credit Agreement and each of the First, Second, Third and Fourth Credit Agreement Amendment were filed on SEDAR with the dates of filing on June 30, 2020, November 13, 2020, February 8, 2021 and January 4, 2022, respectively, for each of Credit Agreement Amendments.

Following the Fourth Credit Agreement Amendment, including mandatory repayments, the Credit Facilities consist of the following:

- a) a five-year, \$541,668 senior secured Revolving Facility; \$260,000 that has been drawn; \$10,966 reserved and \$270,702 remaining available balance.

At December 31, 2021, Cineplex was subject to a margin of 3.00% (2020 - 3.00%) on the prime rate and 4.00% (2020 - 4.00%) on the bankers' acceptance rate, plus a 0.25% (2020 - 0.25%) per annum fee for letters of credit issued on the Revolving Facility. The average interest rate on borrowings under the Credit Facilities was 6.90% for the year ended December 31, 2021 (2020 - 4.87%). Cineplex pays a commitment fee on the daily unadvanced portion of the Revolving Facility, which will vary based on certain financial ratios and was 1.00% at December 31, 2021 (2020 - 1.00%).

Cineplex entered into interest rate swap agreements where Cineplex agreed to pay fixed rates per annum, plus an applicable margin and receive a floating rate of interest equal to the three-month Canadian deposit offering rate set quarterly in advance, with net settlements quarterly.

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The following table outlines Cineplex's current interest rate swap agreements as of December 31, 2021:

Interest rate swap agreements					
	Notional amount	Inception date	Effective date	Maturity date	Fixed rate payable
Swap - 1	\$200.0 million	November 13, 2018	April 26, 2021	November 14, 2023	2.945 %
Swap - 2	\$100.0 million	November 13, 2018	November 13, 2018	November 14, 2023	2.830 %
Swap - 3	\$150.0 million	November 13, 2018	November 13, 2018	November 14, 2025	2.898 %

Cineplex ceased the use of hedge accounting for the interest rate swaps during the fourth quarter of 2019 as a result of the terms of the Arrangement Agreement. The interest rate swaps are measured at fair market value at each reporting period with changes in fair market value recorded in interest expense - other, in the consolidated statement of operations.

Despite the termination of the Arrangement Agreement, the swaps can only be re-designated on a prospective basis for hedge accounting treatment.

Based on the Credit Agreement in effect at December 31, 2021 Cineplex's effective cost of borrowing on the \$450,000 hedged borrowings was 6.904% (December 31, 2020 - \$450,000 hedged borrowings - 5.754%).

Convertible debentures

Convertible debentures consist of the following:

	December 31, 2021	December 31, 2020
Face value of convertible debentures outstanding	\$ 316,250	\$ 316,250
Unaccreted deferred financing fees and discount	(81,778)	(96,979)
Convertible debentures	<u>\$ 234,472</u>	<u>\$ 219,271</u>

On July 17, 2020, Cineplex issued \$316,260 aggregate principal amount of convertible unsecured subordinated debentures, which mature on September 30, 2025 (the "Maturity Date") and bear interest at a rate of 5.75% per annum, payable semi-annually in arrears on September 30 and March 31 in each year.

The Debentures are not redeemable by Cineplex prior to September 30, 2023. On or after September 30, 2023 and prior to September 30, 2024, Cineplex may, at its option, redeem the Debentures in whole or in part from time to time provided that the volume weighted average trading price of the Shares on the Toronto Stock Exchange during the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of redemption is given is not less than 125% of the conversion price. On or after September 30, 2024, the Debentures may be redeemed in whole or in part from time to time at the option of Cineplex at a price equal to their principal amount plus accrued and unpaid interest. Redemption may be in the form of cash or in the form of Shares, at the option of Cineplex.

At the holder's option, the Debentures may be converted into Shares at a conversion price of \$10.94 per Share at any time prior to the close of business on the earlier of: (i) five business days prior to the Maturity Date, and (ii) if called for redemption, five business days immediately preceding the dated fixed for redemption of the Debentures, at a conversion price to be determined at the time of pricing. Holders who convert their Debentures into Shares will

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receive accrued and unpaid interest for the period from the date of the latest Interest Payment Date to the date of conversion. Conversion of outstanding Debentures will result in the issuance of Shares from treasury.

The fair value of the liability component of the Debentures was assessed at inception based on an estimated market discount rate of 14.1% less the pro-rata portion of transaction costs, and will be accreted to the full face value over the term of the Debentures. During the year ended December 31, 2021, Cineplex recorded accretion and cash interest expense on the Debentures of \$15,201 (2020 - \$7,472) and \$18,135 (2020 - \$8,459), respectively, both of which are included as part of the interest expense in the consolidated statement of operations. As at December 31, 2021, Cineplex has \$316,250 principal amount of Debentures outstanding. The residual value was allocated to the equity component less the pro-rata portion of transaction costs as prescribed by IFRS 9, *Financial instruments* and IAS 32, *Financial instruments: Presentation*.

The foregoing is a summary of the key terms of the Debentures. This summary is qualified in its entirety by reference to the provisions of the Debentures trust indenture which contains a complete statement of those terms and conditions. The Debenture trust indenture was filed on SEDAR on July 15, 2020.

Notes payable

Notes Payable outstanding as of December 31, 2021 are as follows:

	2021
Face value of Notes Payable	\$ 250,000
Unaccreted deferred financing fees and discount	(5,261)
Notes Payable	<u>\$ 244,739</u>

On February 26, 2021, Cineplex completed the \$250,000 Notes Payable offering. The Notes Payable mature on February 26, 2026 and bear interest at a rate of 7.50% per annum, payable semi-annually in arrears on January 31 and July 31 of each year, commencing July 31, 2021. The Notes Payable are subordinate to the security granted for the obligations under the Credit Facilities, and are subject to the terms of an intercreditor agreement with the agent under the Credit Facilities.

During the year ended December 31, 2021, Cineplex recorded accretion and cash interest expense on the Notes Payable of \$772 (2020 - \$nil) and \$15,822 (2020 - \$nil), respectively, both of which are included as part of interest expense in the consolidated statement of operations. As at December 31, 2021, Cineplex has \$250,000 principal amount of Notes Payable outstanding. Cineplex's derivative financial instrument on the Notes Payable relates to the early prepayment option that fluctuates in value based on market interest rates. The fair value of the embedded derivative was determined using an option pricing model with observable market inputs and are consistent with accepted methods for valuing financial instruments. Cineplex has estimated the fair value of this embedded derivative at \$9,240 as at December 31, 2021 which is presented on the consolidated balance sheets as a derivative financial instrument.

The foregoing is a summary of the key terms of the Notes Payable. This summary is qualified in its entirety by reference to the provisions of the Notes Payable trust indenture which contain a complete statement of those terms and conditions. The Notes Payable trust indenture was filed on SEDAR on February 26, 2021.

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17. Post-employment benefit obligations

Cineplex sponsors a defined benefit supplementary executive retirement plan (“DB SERP”). The DB SERP has a defined benefit obligation of \$10,054 at December 31, 2021 (December 31, 2020 - \$10,966), which is substantially unfunded. Annual benefits payable is \$650 according to the retirement date of the sole beneficiary. The DB SERP does not have a material effect on the operations or cash flows of Cineplex.

Cineplex also sponsors the Retirement Plan for Salaried Employees of Famous Players Limited Partnership, a defined benefit pension plan, and the Famous Players Retirement Excess Plan (collectively known as the “Famous Players Plans”). Effective October 23, 2005, Cineplex elected to freeze future accrual of defined benefits under the Famous Players Plans. The Famous Players Plans do not have a material effect on the operations, cash flows or financial position of Cineplex.

Cineplex also provides a group registered retirement plan for the benefit of full-time employees.

The net post-retirement benefit obligation for each of the plans is as follows:

	2021	2020
DB SERP obligation, net of assets	\$ 8,490	\$ 9,868
Famous Players Plans obligations	1,483	1,635
Net post-retirement benefit obligation	<u>\$ 9,973</u>	<u>\$ 11,503</u>

Reconciliation of the net post-retirement benefit obligations

	2021	2020
Accrued benefit obligations		
Balance - Beginning of year	\$ 12,601	\$ 11,582
Current service cost	—	485
Interest cost	296	371
Benefits paid	(142)	(107)
Actuarial (gains) losses	(1,218)	270
Balance - End of year	<u>\$ 11,537</u>	<u>\$ 12,601</u>
Less: Fair value of plan assets	<u>\$ 1,564</u>	<u>\$ 1,098</u>
Net post-retirement benefit obligation	<u>\$ 9,973</u>	<u>\$ 11,503</u>

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Significant assumptions

	2021	2020
Accrued benefit obligations at December 31		
Discount rate - all plans	2.70% - 2.90%	2.10% - 2.40%
Health care cost trend rates at December 31		
Initial rate	5.72%	5.82%
Ultimate rate	4.00%	4.00%
Year ultimate rate reached	2041	2041

Sensitivity analysis

The following table shows the impact of a 1% increase or decrease of the discount rate on the defined benefit obligation at the end of the year.

	2021	2020
Impact of 1% increase in the discount rate	\$ (1,159)	\$ (1,340)
Impact of 1% decrease in the discount rate	\$ 1,370	\$ 1,529

18. Other liabilities

Other liabilities consist of the following:

	2021	2020
Asset retirement obligations	\$ 3,097	\$ 2,984
Licensing obligations - non-current	1,051	2,120
Deferred consideration - AMC business acquisition	3,134	3,134
Other, including provisions	308	60,411
	<u>\$ 7,590</u>	<u>\$ 68,649</u>

In 2020, other liabilities included \$60,000 proceeds for the reorganization of SCENE (note 9, Interests in joint ventures and associates).

19. Share capital

Cineplex is authorized to issue an unlimited number of common shares and 10,000,000 preferred shares of which none are outstanding.

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Share capital balances at December 31, 2021 and 2020 and transactions during the periods are as follows:

2021		Amount	
	Number of common shares issued and outstanding	Common shares	Total
Balance - December 31, 2020	63,333,238	\$ 852,379	\$ 852,379
Issuance of shares on exercise of options	11,060	86	86
Balance - December 31, 2021	63,344,298	\$ 852,465	\$ 852,465

2020		Amount	
	Number of common shares issued and outstanding	Common shares	Total
Balance - December 31, 2020	63,333,238	\$ 852,379	\$ 852,379

20. Revenue

The following tables disclose the changes in deferred revenue for the year ended December 31, 2021 and 2020:

	December 31, 2020	Additions	Revenue Recognized	December 31, 2021
Gift cards	\$ 164,025	\$ 38,264	\$ 32,909	\$ 169,380
SCENE loyalty program	36,109	33,241	21,353	47,997
Advances and deposits	19,849	7,410	11,430	15,829
Other	—	60,000	—	60,000
	<u>\$ 219,983</u>	<u>\$ 138,915</u>	<u>\$ 65,692</u>	<u>\$ 293,206</u>

	December 31, 2019	Additions	Revenue Recognized	December 31, 2020
Gift cards	\$ 184,755	\$ 23,743	\$ 44,473	\$ 164,025
SCENE loyalty program	21,277	33,173	18,341	36,109
Advances and deposits	16,966	20,854	17,971	19,849
	<u>\$ 222,998</u>	<u>\$ 77,770</u>	<u>\$ 80,785</u>	<u>\$ 219,983</u>

In December 2020, Cineplex received \$60,000 from its existing partner with respect to the agreement to reorganize the program and reposition it for future growth. Cineplex accounted for the \$60,000 in other liabilities and reclassified it to deferred revenue as it is expected to be recognized in the next twelve months.

The following tables provide the disaggregation of revenue into categories by nature for the years ended December 31, 2021 and 2020:

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Box revenues

	Year ended December 31,	
	2021	2020
Box office revenues	\$ 236,320	\$ 132,820

Food service revenues

	Year ended December 31,	
	2021	2020
Food service - theatres	\$ 159,201	\$ 91,384
Food delivery - theatres	13,052	8,175
Food service - location-based entertainment	14,613	8,882
Food delivery - location-based entertainment	132	191
Total food service revenues	\$ 186,998	\$ 108,632

Media revenues

	Year ended December 31,	
	2021	2020
Cinema media	\$ 32,958	\$ 23,568
Digital place-based media	32,372	41,790
Total media revenues	\$ 65,330	\$ 65,358

Amusement revenues

	Year ended December 31,	
	2021	2020
Amusement solutions excluding exhibition and LBE	\$ 100,282	\$ 60,027
Amusement solutions - exhibition	4,943	2,457
Amusement solutions - location based entertainment	29,248	15,417
Total amusement revenues	\$ 134,473	\$ 77,901

Other revenues

	Year ended December 31,	
	2021	2020
Other revenues	\$ 33,548	\$ 33,552

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21. Other costs

	Year ended December 31,	
	2021	2020
Employee wages, salaries and benefits	\$ 150,251	\$ 106,942
Rent	(12,978)	(2,278)
Realty and occupancy taxes and maintenance fees	56,286	67,381
Utilities	21,717	23,870
Purchased services	39,964	37,185
Other inventories consumed, including amusement and digital place-based media	60,502	40,256
Venue revenue share	29,051	15,577
Repairs and maintenance	24,233	25,271
Advertising and promotion	13,636	11,353
Office and operating supplies	6,526	6,122
Licenses and franchise fees	15,337	15,028
Insurance	6,353	5,691
Professional and consulting fees	17,175	10,560
Telecommunications and data	5,160	5,195
Bad debts	172	1,735
Equipment rental	1,359	61
Other costs	4,810	5,741
	<u>\$ 439,554</u>	<u>\$ 375,690</u>

Management continued to focus on cost cutting measures to mitigate the negative impact of COVID-19 on Cineplex's business, in addition to applying for government subsidy programs where available. During the years ended December 31, 2021 and 2020, Cineplex recorded the following subsidies which have all been offset against their related costs:

Subsidies	Year to Date	
	2021	2020
Wage subsidy (CEWS and THRP)	\$56,059	\$57,013
Rent subsidy (CERS and THRP)	13,643	2,761
Realty tax subsidy	11,963	3,249
Utility subsidy	4,826	1,838
Total	<u>\$ 86,491</u>	<u>\$ 64,861</u>

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22. Net loss per share

Basic

Basic earnings per share ("EPS") is calculated by dividing the net loss by the weighted average number of shares outstanding during the period.

	<u>2021</u>	<u>2020</u>
Net loss attributable to owners of Cineplex - continuing operations	\$ (248,722)	\$ (623,996)
Net loss attributable to owners of Cineplex	\$ (248,722)	\$ (628,948)
Weighted average number of shares outstanding	<u>63,339,239</u>	<u>63,333,238</u>
Basic EPS from continuing operations	\$ (3.93)	\$ (9.85)
Basic EPS from discontinued operations	<u>—</u>	<u>(0.08)</u>
Basic EPS	<u>\$ (3.93)</u>	<u>\$ (9.93)</u>

Diluted

Diluted EPS is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the outstanding shares for the period), based on the monetary value of the rights attached to the potentially dilutive shares. The number of shares calculated above is compared with the number of shares that would have been issued assuming exercise of conversions, exchanges or options. Anti-dilutive shares that have been excluded in the current period were 51,133 potential shares that would be issued under the treasury stock method and 5,051,493 potential shares that would have been issued under the if-converted method relating to Debenture units outstanding. The options and Debentures are anti-dilutive in 2021 and 2020, as applicable.

	<u>2021</u>	<u>2020</u>
Net loss attributable to owners of Cineplex - continuing operations	\$ (248,722)	\$ (623,996)
Net loss attributable to owners of Cineplex	\$ (248,722)	\$ (628,948)
Weighted average number of shares for diluted EPS	<u>63,339,239</u>	<u>63,333,238</u>
Diluted EPS from continuing operations	\$ (3.93)	\$ (9.85)
Diluted EPS from discontinued operations	<u>—</u>	<u>(0.08)</u>
Diluted EPS	<u>\$ (3.93)</u>	<u>\$ (9.93)</u>

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23. Operating segments

Cineplex has four reportable segments; Film Entertainment and Content, Media, Amusement and Leisure and Location-Based Entertainment. The reportable segments are business units offering differing products and services and managed separately due to their distinct natures. These four reportable segments have been determined by Cineplex's chief operating decision makers. The Film Entertainment and Content reporting segment does not charge an access fee to the Media reporting segment. All other inter-segment transactions are eliminated in the Corporate and other category, which includes all corporate general and administrative costs not directly associated with a segment. Cineplex reports the total of its segments which is considered an other financial measure in accordance with National Instrument 52-112 Non-GAAP and Other Financial Measures. The total segments measure includes a non-GAAP measure, adjusted EBITDAaL and is described below.

Film Entertainment and Content

The Film Entertainment and Content reporting segment includes all direct and ancillary revenues from theatre attendance, including box office and food service revenues and the associated costs to provide those products and services. Also included in the Film Entertainment and Content segment are in-theatre amusement, theatre rentals and digital commerce rental and sales and associated costs.

Media

The Media reporting segment is comprised of the aggregation of two operating segments, cinema media and digital place-based media businesses. Cinema media consists of all in-theatre advertising revenues and costs, including pre-show, showtime and lobby advertising. Digital place-based media is comprised of revenues and costs associated with the design, installation and operations of digital signage networks, along with advertising on certain networks. Aggregation of these operating segments is based on the segments having similar economic characteristics.

Amusement and Leisure

The Amusement and Leisure reporting segment includes the amusement solutions operating segment. Amusement solutions is comprised of revenues and costs associated with operating and distributing amusement, gaming and vending equipment. Previously reported periods included results for eSports in the Amusement and Leisure segment.

Location-Based Entertainment

Location-based entertainment is comprised of the social entertainment destinations featuring gaming, entertainment and dining. These entertainment options are complemented with an upscale casual dining environment, featuring an open kitchen and contemporary menu, as well as a larger bar with a wide range of digital monitors and a large screen for watching sporting and other major events.

In accordance with IFRS 8, *Operating Segments*, Cineplex discloses information about its reportable segments based upon the measures used by management in assessing the performance of those reportable segments. Cineplex uses adjusted EBITDAaL to measure the performance of its reportable segments.

Management defines EBITDA as earnings before interest income and expense, income taxes and depreciation and amortization expense. Adjusted EBITDA excludes the change in fair value of financial instrument, gain on disposal of assets, foreign exchange, the equity income (loss) of CDCP, the non-controlling interests' share of adjusted EBITDA of TG-CPX Limited Partnership, and impairment, depreciation, amortization, interest and taxes of Cineplex's other joint ventures and associates. Adjusted EBITDAaL modifies adjusted EBITDA to deduct current period cash rent paid or payable related to lease obligations. During the year, Cineplex agreed to a variety of arrangements with landlords to reduce or defer cash rent paid or payable as a result of the impact of COVID-19.

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Cineplex's management believes that adjusted EBITDAaL is an important supplemental measure of Cineplex's profitability at an operational level and provides analysts and investors with comparability in evaluating and valuing Cineplex's performance period over period. EBITDA, adjusted for various unusual items, is also used to define certain financial covenants in Cineplex's Credit Facilities.

Cineplex's cash management and other treasury functions are centralized; interest expense not related to the lease obligations and interest income are not allocated to segments. Income taxes are accounted for by entity, and cannot be attributable to individual segments. Cineplex does not report balance sheet information by segment because that information is not used to evaluate performance or allocate resources between segments.

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The following tables disclose the results of the Film Entertainment and Content, Media, Amusement and Leisure and Location-Based Entertainment segments for the year ended December 31, 2021 and 2020:

Year ended December 31, 2021	Film Entertainment and Content (i)	Media (i)	Amusement and Leisure	Location- Based Entertainment	Corporate and other (iii)	Consolidated
Major product and service lines						
Box office	\$ 236,320	\$ —	\$ —	\$ —	\$ —	\$ 236,320
Food service	172,253	—	—	14,745	—	186,998
Media	—	64,852	—	478	—	65,330
Amusement	4,943	—	100,282	29,248	—	134,473
Other	33,258	—	—	290	—	33,548
Total revenues	\$ 446,774	\$ 64,852	\$ 100,282	\$ 44,761	\$ —	\$ 656,669
Primary geographical markets						
Canada	\$ 446,774	\$ 55,381	\$ 25,387	\$ 44,761	\$ —	\$ 572,303
United States and other countries	—	9,471	74,895	—	—	84,366
Total revenues	\$ 446,774	\$ 64,852	\$ 100,282	\$ 44,761	\$ —	\$ 656,669
Timing of revenue recognition						
Transferred at a point in time	\$ 446,774	\$ 12,458	\$ 100,282	\$ 44,761	\$ —	\$ 604,275
Transferred over time	—	52,394	—	—	—	52,394
Total revenues	\$ 446,774	\$ 64,852	\$ 100,282	\$ 44,761	\$ —	\$ 656,669
Adjusted EBITDAaL	\$ (64,769)	\$ 27,588	\$ 8,709	\$ 5,778	\$ (61,601)	\$ (84,295)
Difference between the sum of depreciation of right-of-use assets and interest expense related to the lease obligations as compared to the cash rent paid or payable related to lease obligations with respect to the current period.						16,617
Other adjustments (ii)						(37,194)
Depreciation and amortization - other assets						113,042
Interest expense - other						65,138
Interest income						(232)
Provision for income taxes						3,339
Impairment of long-lived assets and goodwill						3,717
Net loss						\$ (248,722)
Other operating segment disclosures						
Depreciation - right-of-use assets	\$ 91,960	\$ 2,803	\$ 3,154	\$ 3,747	\$ 583	\$ 102,247
Depreciation and amortization - other assets	\$ 69,140	\$ 4,674	\$ 23,372	\$ 15,856	\$ —	\$ 113,042
Interest expense - lease obligations	\$ 51,778	\$ 367	\$ 519	\$ 5,207	\$ 719	\$ 58,590
Impairment of long-lived assets and goodwill	\$ 3,717	\$ —	\$ —	\$ —	\$ —	\$ 3,717
Goodwill balance	\$ 413,915	\$ 206,385	\$ 15,245	\$ —	\$ —	\$ 635,545

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Year ended December 31, 2020	Film Entertainment and Content (i)	Media (i)	Amusement and Leisure	Location- Based Entertainment	Corporate and other (iii)	Consolidated
Major product and service lines						
Box office	\$ 132,820	\$ —	\$ —	\$ —	\$ —	\$ 132,820
Food service	99,559	—	—	9,073	—	108,632
Media	—	64,758	—	600	—	65,358
Amusement	2,457	—	60,027	15,417	—	77,901
Other	33,112	—	—	440	—	33,552
Total revenues	\$ 267,948	\$ 64,758	\$ 60,027	\$ 25,530	\$ —	\$ 418,263
Primary geographical markets						
Canada	\$ 267,948	\$ 50,387	\$ 18,259	\$ 25,530	\$ —	\$ 362,124
United States and other countries	—	14,371	41,768	—	—	56,139
Total revenues	\$ 267,948	\$ 64,758	\$ 60,027	\$ 25,530	\$ —	\$ 418,263
Timing of revenue recognition						
Transferred at a point in time	\$ 267,948	\$ 17,624	\$ 60,027	\$ 24,930	\$ —	\$ 370,529
Transferred over time	—	47,134	—	600	—	47,734
Total revenues	\$ 267,948	\$ 64,758	\$ 60,027	\$ 25,530	\$ —	\$ 418,263
Adjusted EBITDAaL	\$ (145,855)	\$ 21,775	\$ (10,805)	\$ (8,160)	\$ (39,770)	\$ (182,815)
Difference between the sum of depreciation of right-of-use assets and interest expense related to the lease obligations as compared to the cash rent paid or payable related to lease obligations with respect to the current period.						50,535
Other adjustments (ii)						(5,491)
Depreciation and amortization - other assets						124,846
Interest expense - other						61,483
Interest income						(182)
Income taxes recovery						(84,868)
Impairment of long-lived assets and goodwill						294,863
Net loss from continuing operations						\$ (624,001)
Net loss from discontinued operations (note 30)						(4,952)
Net loss						\$ (628,953)
Other operating segment disclosures						
Depreciation - right-of-use assets	\$ 114,798	\$ 3,360	\$ 4,469	\$ 5,065	\$ 701	\$ 128,393
Depreciation and amortization - other assets	\$ 72,319	\$ 10,318	\$ 28,053	\$ 14,156	\$ —	\$ 124,846
Interest expense - lease obligations	\$ 44,153	\$ 457	\$ 617	\$ 3,833	\$ 25	\$ 49,085
Impairment of long-lived assets and goodwill	\$ 262,645	\$ —	\$ —	\$ 32,218	\$ —	\$ 294,863
Goodwill balance	\$ 413,915	\$ 206,385	\$ 15,282	\$ —	\$ —	\$ 635,582

(i) The Film Entertainment and Content reporting segment does not charge an access fee to the Media reporting segment for in-theatre advertising.

(ii) Other adjustments include change in fair value of financial instruments, gain on disposal of assets, CDCP equity income (loss), foreign exchange, non-controlling interest adjusted EBITDA, depreciation and amortization for joint ventures and taxes and interest - joint ventures.

(iii) Corporate and other represents the cost of centralized corporate overhead that is not allocated to the other operating segments and includes the change in fair value of financial instruments.

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24. Barter transactions

Cineplex occasionally enters into barter arrangements with other parties to exchange goods or services. During the year ended December 31, 2021, Cineplex provided advertising and media services to third parties and recognized advertising revenues of \$941 (2020 - \$144). Cineplex received sponsorship and advertising services in exchange, recording marketing expenses of \$1,311 (2020 - \$345). The exchanges were measured at the estimated fair value of the services provided by Cineplex, by reference to similar services provided by Cineplex for monetary consideration to arm's-length third parties other than those with whom the transactions were entered into.

25. Related party transactions

Cineplex may have transactions in the normal course of business with entities whose management, directors or trustees are also directors of Cineplex. Any such transactions are in the normal course of operations and are measured at market-based exchange amounts. Unless otherwise noted, these transactions are not considered related party transactions for financial statement purposes.

The Chief Executive Officer of Riocan Real Estate Investment Trust ("Riocan") served as a Board member until May 5, 2020. Prior to his departure, Cineplex incurred theatre expenditures for theatres under lease commitments with Riocan in the amount of \$20,217 during the prior year period. No material related party transactions were recorded during the year ended December 31, 2021.

Joint ventures

Cineplex leased digital projection systems from CDCP in the amount of \$2,308 for the year ended December 31, 2021 (2020 - \$1,178).

Cineplex performs certain management and film booking services for the joint ventures in which it is either a joint venturer or an associate. During the year ended December 31, 2021, Cineplex earned revenue of \$402 for these services (2020 - \$571).

Cineplex incurred marketing expenses related to Scene+ point issuances from Scene LP in the amount of \$2,125 for the year ended December 31, 2021.

Compensation of key management

Compensation recognized in employee benefits for key management, who are defined as the Named Executive Officers, included:

	2021	2020
Salaries and short-term employee benefits	\$ 4,051	\$ 2,155
Post-employment benefits	73	1,037
Share-based payments	2,487	(5,492)
	<u>\$ 6,611</u>	<u>\$ (2,300)</u>

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26. Changes in operating assets and liabilities

The following summarizes the changes in operating assets and liabilities:

	2021	2020
Trade and other receivables	\$ (30,962)	\$ 115,122
Inventories	(1,998)	10,222
Prepaid expenses and other current assets	(2,912)	2,737
Accounts payable and accrued liabilities	76,097	(87,968)
Income taxes receivable	65,705	(56,825)
Deferred revenue	13,416	(2,990)
Post-employment benefit obligations	(806)	330
Share-based compensation	881	(20,681)
Other liabilities	(1,983)	(3,125)
	<u>\$ 117,438</u>	<u>\$ (43,178)</u>

Property, equipment and leasehold purchases are included in accounts payable and accrued liabilities as at December 31, 2021, in the amount of \$6,830 (2020 - \$4,717).

27. Commitments, guarantees and contingencies

Commitments

As of December 31, 2021, Cineplex has aggregate capital commitments as follows:

Capital commitments for operating locations to be completed or renovated during 2022 - 2025 (i)	\$ 71,164
Letters of credit	\$ 10,966

(i) The amounts are \$2,893 for 2022, \$38,665 for 2023, \$29,606 for 2024, and nil for 2025.

Guarantees

During 2005 and 2006, Cineplex entered into agreements with third parties to divest a total of 36 theatres, 30 of which were leased properties. Cineplex is guarantor under the leases for the remainder of the lease terms for certain theatres that it has sold in the event that the purchaser of the theatres does not fulfill its obligations under the respective lease; nine or fewer of those theatres are still operated by a third party lease under which Cineplex arguably could be responsible as a guarantor.

Cineplex has assessed the fair value of the lease guarantees and determined that the fair value of these guarantees at December 31, 2021 is nominal. As such, no additional amounts have been provided in the consolidated financial statements for these guarantees. Should the purchasers of the theatres fail to fulfill their lease commitment obligations, Cineplex could face a substantial financial burden, which could be mitigated by Cineplex operating any theatres under default.

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Other

Cineplex's litigation with Cineworld including the damages awarded to Cineplex is discussed in detail in note 1 to the financial statements. Cineplex or a subsidiary of Cineplex is a defendant in various claims and lawsuits arising in the ordinary course of business. From time to time, Cineplex is involved in disputes with landlords, contractors, suppliers, former employees and other third parties. It is the opinion of management that any liability to Cineplex, which may arise as a result of these matters, will not have a material adverse effect on Cineplex's operating results, financial position or cash flows.

28. Financial instruments

Fair value of financial instruments

The carrying value and fair value of Cineplex's financial instruments at December 31, 2021 and 2020 are as follows:

		2021		2020	
	Input level	Carrying value	Fair value	Carrying value	Fair value
Convertible debentures	1	301,272	417,450	286,071	344,713
Notes payable	2	244,739	265,975	—	—
Bank debt	2	260,000	260,000	506,000	506,000
Other liabilities - equipment liabilities	2	3,045	3,045	4,168	4,168
Interest rate swap agreements, net	2	14,223	14,223	26,359	26,359
Deferred consideration - AMC	2	3,134	3,134	3,134	3,134
Embedded derivative on notes payable	2	9,240	9,240	—	—

Cash and cash equivalents, trade and other receivables, accounts payable and accrued liabilities and dividends payable are reflected in the consolidated financial statements at carrying values that approximate fair values because of the short-term maturities of these financial instruments.

At the time of entering into the Fourth Credit Amendment Agreement, there was no further change to the interest margins charged by the Bank on Cineplex's outstanding debt from that implemented under the First, Second and Third Credit Amendment Agreements. The bank debt is considered a Level 2 fair value measurement. The carrying value of the bank debt reflects the fair value, as the debt bears floating interest at market rates.

The equipment liabilities are recorded at amortized cost, as derived from expected cash outflows and Cineplex's estimated incremental borrowing rate, 5.2%. The equipment liabilities are included in accounts payable and accrued liabilities (current portion) and in other liabilities on the balance sheet.

The purpose of the interest rate swap agreements is to act as a cash flow hedge of the floating interest rate payable on Cineplex's first \$450,000 of borrowings. Cineplex ceased hedge accounting for the interest rate swaps during the fourth quarter of 2019. The interest rate swap is measured at fair market value at each reporting period with changes in fair market value recognized in the consolidated statement of operations.

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The deferred consideration for AMC (an undiscounted amount of \$3,134 based on estimated non-capital losses arising from the 2012 acquisition of AMC Ventures Inc.) is recorded at fair value and included in other liabilities (note 18, Other liabilities). There was no change in fair value of \$3,134 for the year ended December 31, 2021.

The convertible debentures are publicly traded on the TSX, and are recorded at amortized cost (note 16, Long-term debt).

The notes payable are publicly traded and are recorded at amortized cost based on Cineplex's expected cash outflows and reflects a monthly effective interest rate of 0.67% (note 16, Long-term debt).

The fair market value of the embedded derivative on notes payable was determined using an option pricing model with observable market inputs consistent with accepted methods for valuing financial instruments (note 16, Long-term debt).

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical financial assets or financial liabilities that Cineplex has the ability to access.

Fair values determined by Level 2 inputs use inputs other than the quoted prices included in Level 1 that are observable for the financial asset or financial liability, either directly or indirectly. Level 2 inputs include quoted prices for similar financial assets and financial liabilities in active markets, and inputs other than quoted prices that are observable for the financial assets or financial liabilities. Cineplex uses market interest rates and yield curves that are observable at commonly quoted intervals in the valuation of its interest rate swap agreements. The derivative positions are valued using models developed internally by the respective counterparty that uses as its basis readily observable market parameters (such as forward yield curves) and are classified within Level 2 of the valuation hierarchy. Cineplex considers its own credit risk as well as the credit risk of its counterparties when evaluating the fair value of its derivatives.

Level 3 inputs are unobservable inputs for the financial asset or financial liability, and include situations where there is little, if any, market activity for the financial asset or financial liability. Cineplex's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the financial asset or financial liability.

Credit risk

Credit risk is the risk of financial loss to Cineplex if a customer or counterparty to a financial instrument fails to meet its contractual obligation. Management believes the credit risk on cash and cash equivalents is low because the counterparties are banks with high credit ratings.

Accounts receivable include trade and other receivables. Trade receivables are amounts billed to customers for the sales of goods and services, and represent the maximum exposure to credit risk of those financial assets, exclusive of the allowance for doubtful accounts. Normal credit terms for amounts due from customers call for payment within 30 to 45 days. Other receivables include amounts due from suppliers and landlords and other miscellaneous amounts. Cineplex's credit risk is primarily related to its trade receivables, as other receivables generally are recoverable through ongoing business relationships with the counterparties.

Cineplex grants credit to customers in the normal course of business. Cineplex typically does not require collateral or other security from customers; however, credit evaluations are performed prior to the initial granting of credit when warranted and periodically thereafter. Cineplex records a reserve for estimated uncollectible amounts, which

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management believes reduces credit risk. See note 31, Significant accounting policies, judgments and estimation uncertainty, for Cineplex's policy on impairment of financial assets.

The following schedule reflects the balance and age of trade receivables at December 31, 2021 and 2020:

	2021	2020
Trade receivables carrying value	\$ 53,326	\$ 29,188
Percentage past due	30%	57%
Percentage outstanding more than 120 days	12%	27%

The following schedule reflects the changes in the allowance for trade receivables during the years ended December 31, 2021 and 2020:

	2021	2020
Expected credit loss for trade receivables - Beginning of year	\$ 1,191	\$ 516
Additional allowance recorded	197	1,244
Amounts written off	(158)	(569)
Expected credit loss for trade receivables - End of year	<u>\$ 1,230</u>	<u>\$ 1,191</u>

Due to Cineplex's diversified client base, management believes Cineplex does not have a significant concentration of credit risk.

Liquidity risk

Liquidity risk is the risk that Cineplex will encounter difficulty in meeting obligations associated with its financial liabilities.

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The table below reflects the contractual maturity of Cineplex's undiscounted cash flows for its financial liabilities and interest rate swap agreements:

Contractual obligations	2021				
	Payments due by period				
	Total	Within 1 year	2 - 3 years	4 - 5 years	After 5 years
Accounts payable and accrued liabilities	\$ 157,950	\$ 157,950	\$ —	\$ —	\$ —
Interest rate swap agreements	14,223	8,063	5,081	1,079	—
Long-term debt	260,000	—	260,000	—	—
Interest on long-term debt	33,539	17,950	15,589	—	—
Equipment obligations	3,045	1,963	829	160	93
Deferred consideration - AMC	3,134	—	3,134	—	—
Convertible debentures	316,250	—	—	316,250	—
Convertible debentures interest	68,154	18,184	36,369	13,601	—
Notes payable	250,000	—	—	250,000	—
Notes payable interest	78,083	18,750	37,552	21,781	—
Total contractual obligations	<u>\$1,184,378</u>	<u>\$ 222,860</u>	<u>\$ 358,554</u>	<u>\$ 602,871</u>	<u>\$ 93</u>

Contractual obligations	2020				
	Payments due by period				
	Total	Within 1 year	2 - 3 years	4 - 5 years	After 5 years
Accounts payable and accrued liabilities	\$ 82,992	\$ 82,992	\$ —	\$ —	\$ —
Interest rate swap agreements	26,359	7,201	15,449	3,709	—
Long-term debt	506,000	—	506,000	—	—
Interest on long-term debt	70,618	24,642	45,976	—	—
Equipment obligations	4,168	1,975	2,018	150	25
Deferred consideration - AMC	3,134	—	3,134	—	—
Convertible debentures	316,250	—	—	316,250	—
Convertible debentures interest	86,388	18,184	36,369	31,835	—
Total contractual obligations	<u>\$1,095,909</u>	<u>\$ 134,994</u>	<u>\$ 608,946</u>	<u>\$ 351,944</u>	<u>\$ 25</u>

Existing lease commitments are disclosed in note 15, Lease obligations. Cineplex also has significant new theatre and other capital commitments (note 27, Commitments, guarantees and contingencies), as well as contingent obligations in the form of letters of credit, guarantees and the Incentive Plan for options, RSUs, and PSUs.

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New capital commitments not funded through cash flows from operations will be funded through Cineplex's Revolving Facility. Management believes that Cineplex's cash flows from operations and the Revolving Facility will be adequate to support all of its financial liabilities.

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in foreign currency exchange rates.

The majority of Cineplex's revenues and expenses are in Canadian dollars, with the remainder denominated in US dollars. Approximately 12.8% of Cineplex's revenues are derived from sales to customers in the United States, which are naturally hedged by the Cineplex's US-based operating costs. Management considers currency risk to be low and does not hedge its currency risk. An assumed increase of 10% in exchange rates at December 31, 2021 would have increased other comprehensive income by \$2,773 and decreased net income by \$814. An assumed decrease of 10% in exchange rates at December 31, 2021 would have decreased other comprehensive income by \$2,656 and increased net income by \$814.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Cineplex is exposed to interest rate risk on its long-term debt, which bears interest at floating rates.

Interest expense on the long-term debt is adjusted to include the payments made or received under the interest rate swap agreements. The interest rate swap agreements are recognized in the consolidated balance sheets at their estimated fair value. During the year ended December 31, 2021, Cineplex recorded non-cash interest expense of \$12,730 relating its interest rate swaps (2020 - interest expense of \$13,922).

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There was no impact on OCI in the current and prior period resulting from a 1% change in interest rates on Cineplex's long-term debt and interest rate swap agreements. The following table shows Cineplex's exposure to interest rate risk and the pre-tax effects on net income for the years ended December 31, 2021 and 2020 of a 1% change in interest rates management believes is reasonably possible:

		2021	
		Pre-tax effects on net income and OCI - increase (decrease)	
	Carrying value of financial liability	1% decrease in interest rates	1% increase in interest rates
		Net income	Net income
Long-term debt	\$ 260,000	\$ 2,911	\$ (2,911)
Interest rate swap agreements - net	14,223	(9,772)	9,461
		\$ (6,861)	\$ 6,550
		2020	
		Pre-tax effects on net income and OCI - increase (decrease)	
	Carrying value of financial liability	1% decrease in interest rates	1% increase in interest rates
		Net income	Net income
Long-term debt	\$ 506,000	\$ 5,836	\$ (5,836)
Interest rate swap agreements - net	26,360	(12,192)	11,692
		\$ (6,356)	\$ 5,856

The carrying value of the interest rate swaps liability was \$14,223 at December 31, 2021. If interest rates changed plus or minus 1% from existing estimates throughout the contract period, the carrying value would decrease to \$4,762 or increase to \$23,995, primarily affecting interest expense.

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29. Capital disclosures

Cineplex's objectives when managing capital are to:

- a) maintain financial flexibility to preserve its ability to meet financial obligations and growth objectives, including future investments;
- b) deploy capital to provide an appropriate investment return to its shareholders; and
- c) maintain a capital structure that allows multiple financing options, should a financing need arise.

Cineplex defines its capital as follows:

- a) equity;
- b) long-term debt, convertible debentures, notes payable and finance lease obligations, including the current portion;
- c) fair value of equipment liabilities, including the current portion; and
- d) cash and cash equivalents.

It is Cineplex's policy to distribute annually to shareholders available cash from operations after cash required for maintenance capital expenditures, working capital and other reserves at the discretion of the Board of Directors. Distributions will be limited and only permitted when the Total Leverage ratio is less than 2.75 to 1 as required under Credit Facility, both prior to and immediately after giving effect to any such distribution. Distributions are not allowed during the financial covenant suspension period.

During the year ended December 31, 2021, Cineplex entered into a Fourth Credit Agreement Amendment with The Bank of Nova Scotia, as administrative agent, and the lenders from time to time named therein. The credit agreement amendments provided Cineplex with financial covenant relief in light of the COVID-19 pandemic and its effects on Cineplex's business. As a result, financial covenant testing has been temporarily suspended until the second quarter of 2022. On the reinstatement of financial covenant testing, the Total Leverage Ratio may not exceed 3.75 to 1, and will be reduced over the course of 2022 each quarter until it is at 3 to 1 for the first quarter of 2023. The addition of a Senior Leverage Ratio set at 1.0x lower than the Total Leverage Ratio was included as part of the third amendment to the credit agreement. Growth capital expenditures will be permitted subject to a pro forma Total Leverage covenant of 2.75 to 1, both prior to and immediately after giving effect to any such growth capital expenditures.

The basis for Cineplex's capital structure is dependent on Cineplex's expected growth and changes in the business and regulatory environments. To maintain or adjust its capital structure, Cineplex may purchase shares for holding or cancellation, issue new shares, raise debt or refinance existing debt with different characteristics.

Objectives and strategies are reviewed periodically by management. During 2021, Cineplex completed the offering of Notes Payable for \$250,000 aggregate principal amount and repaid its Term Facility in full. In 2020 and 2021, Cineplex's capital composition, objectives or strategies all changed in response to the substantial business challenges of COVID-19.

30. Assets held for sale and discontinued operations

During the quarter ended September 30, 2019, Cineplex initiated a review process of WorldGaming Network LP's ("WGN") online esports business, engaging a third party adviser to identify a strategic equity partner. On June 29, 2020, Cineplex sold all of its interest in WGN for a nominal amount. A nominal gain was recognized on the disposition and was included in net loss from discontinued operations. No further operations have been classified as a discontinued operation and all amounts presented in the annual consolidated financial statements are from continuing operations.

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31. Significant accounting policies, judgments and estimation uncertainty

Significant accounting policies

The significant accounting policies used in the preparation of these consolidated financial statements are described below.

Basis of preparation and measurement

Cineplex prepares its consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”). The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying Cineplex’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions are significant to the consolidated financial statements are disclosed later in this note.

These consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial assets and financial liabilities to fair value, including derivative instruments and available-for-sale investments.

Reportable operating segments

Cineplex is comprised of four reportable operating segments, Film Entertainment and Content, Media, Amusement and Leisure, and Location-Based Entertainment. The reportable segments are business units offering differing products and services. Details of Cineplex’s four reportable operating segments are provided in (note 23, Operating segments).

Consolidation

Subsidiaries are all entities over which Cineplex has control. Cineplex controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to Cineplex. They are deconsolidated from the date that control ceases.

Cineplex applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by Cineplex. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Cineplex recognises any non-controlling interest in the acquiree at fair value of the recognised amounts of the acquiree’s identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer’s previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

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Any contingent consideration to be transferred by Cineplex is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of operations.

Inter-company transactions, balances and unrealised gains and losses on transactions between Cineplex entities are eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with Cineplex's accounting policies.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Associates are all entities over which Cineplex has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. Cineplex's investment in associates includes goodwill identified on acquisition.

Cineplex determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, Cineplex calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the statement of operations.

Profits and losses resulting from upstream and downstream transactions between Cineplex and its associate are recognised in the group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by Cineplex.

Dilution gains and losses arising in investments in associates are recognised in the consolidated statement of operations.

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Investments in joint ventures and associates

Investments in joint arrangements are classified either as joint operations and proportionately consolidated or as joint ventures or associates and equity-accounted, depending on the contractual rights and obligations of each investor.

Under the equity method of accounting, interests in joint ventures and associates are initially recognised at cost and adjusted thereafter to recognise Cineplex's share of the post-acquisition profits or losses and movements in OCI. When Cineplex's share of losses in a joint venture or an associate equals or exceeds its interests in that joint venture or associate (which includes any long-term interests that, in substance, form part of Cineplex's net investment in the joint ventures), Cineplex does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture or associate.

Unrealised gains on transactions between Cineplex and its joint ventures and associates are eliminated to the extent of Cineplex's interest in the joint ventures and associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by Cineplex.

Cineplex assesses at each year-end whether there is any objective evidence that its interests in joint ventures and associates are impaired. In determining the value-in-use of an investment, Cineplex estimates its share of the present value of the estimated cash flows expected to be generated by the joint venture or associate, including the cash flows from the operations of the joint venture or associate and the proceeds on the ultimate disposal of the investment, or the present value of the estimated future cash flows expected to arise from dividends to be received from the joint venture or associate and its ultimate disposal. If impaired, the carrying value of Cineplex's share of the underlying assets of joint ventures or associates is written down to its estimated recoverable amount (being the higher of fair value less costs of disposal and value in use) and charged to the consolidated statements of operations.

Cineplex has interests in a jointly controlled entity and accounts for its share of assets and liabilities, revenue and expenses of the joint operation. Cineplex conducts a portion of its business through Scene GP, a joint operation whereby the joint operation participants are bound by contractual agreements establishing joint control. Joint control exists when unanimous consent of the joint operation participants is required regarding strategic, financial and operating policies of the joint operation. Cineplex's share of results from Scene GP has been recognized in Cineplex's consolidated financial statements. Inter-company transactions between Cineplex and Scene GP are eliminated to the extent of Cineplex's interest. As part of the ongoing reorganization of Scene GP which began in December 2020, Cineplex and its loyalty partner launched Scene+ on December 13, 2021 and as a result, Cineplex began equity accounting for its 50% economic interest in Scene LP, the operator of the Scene+ loyalty program.

Foreign currency translation

Functional and presentation currency

Cineplex determines its subsidiaries' functional currency by reviewing the currency of the primary economic environment in which each entity operates (the "functional currency"). The functional currency of three subsidiaries of P1AG is the United States dollar. The functional currency of all other entities of the Cineplex group is the Canadian dollar.

The consolidated financial statements are presented in Canadian dollars.

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Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Generally, foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at fiscal year-end exchange rates of monetary assets and liabilities denominated in currencies other than an operation's functional currency are recognized in the consolidated statements of operations.

Subsidiaries

The results and balance sheet of the subsidiaries that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates, and
- all resulting exchange differences are recognised in other comprehensive income.

Goodwill recognized on the acquisition of a subsidiary are treated as assets and liabilities of the subsidiary and translated at the closing rate.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash equivalents are readily converted into known amounts of cash, and are subject to an insignificant risk of changes in value.

Financial instruments

Financial assets and financial liabilities are recognized when Cineplex becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and Cineplex has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the contractual obligations are discharged, canceled or expire. Regular purchases and sales of financial assets are recognized on the trade-date, the date on which Cineplex commits to purchase or sell the asset.

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheets when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the financial asset and settle the financial liability simultaneously.

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IFRS 9 contains three classification categories for financial assets and liabilities measured at amortized cost, fair value through profit or loss ("FVPL") and fair value through other comprehensive income ("FVOCI").

At initial recognition, Cineplex classifies its financial instruments in the following categories depending on the purpose for which the financial instruments were acquired:

- i. Financial assets and financial liabilities at FVPL: The only instruments held by Cineplex classified in this category are certain equipment purchase liabilities, and the deferred consideration payable for business combinations. Derivatives are included in this category unless they are designated as hedges.

Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the consolidated statements of operations. Gains and losses arising from changes in fair value are presented in the consolidated statements of operations. Financial assets and financial liabilities at fair value through profit or loss are classified as current, except for the portion expected to be realized or paid beyond 12 months of the consolidated balance sheet date, which is classified as non-current. Financial assets and liabilities at FVPL are presented within changes in operating assets and liabilities in the consolidated statements of cash flows.

- ii. Financial assets and liabilities at amortized cost: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Cineplex's loans and receivables comprise trade receivables and cash and cash equivalents, and are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method, less a provision for impairment.

Financial liabilities at amortized cost include trade payables, dividends and distributions payable, bank indebtedness and long-term debt and the non-derivative component of convertible debentures. Trade payables are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, trade payables are measured at amortized cost using the effective interest method. Bank indebtedness and long-term debt, and the non-derivative component of convertible debentures are recognized initially at fair value, net of any transaction costs incurred and, subsequently, at amortized cost using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due within 12 months. Otherwise, they are presented as non-current liabilities.

Equity investments are required to be measured fair value with all changes recognized at FVPL. At initial recognition, Cineplex can make an irrevocable election to classify the instruments at FVOCI, with all subsequent changes in fair value being recognized in OCI. Cineplex has not classified any equity instruments at FVOCI.

- iii. Financial instruments at FVOCI: Cineplex ceased the use of hedge accounting for its interest rate swap agreements during the fourth quarter of 2019 as a result of the terms of the Arrangement Agreement. The interest rate swap are measured at fair market value at each reporting period with changes in fair market value recognized in the consolidated statement of operations.

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Impairment of financial assets

At each reporting date, Cineplex assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, Cineplex recognizes an impairment loss. IFRS 9 uses forward-looking Expected Credit Loss (“ECL”), Cineplex applies the impairment model to financial asset measured at amortized cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- i. 12-month ECLs which are ECLs that result from possible default events within 12 months after the reporting date; and
- ii. lifetime ECLs which are ECLs that result from all possible default events over the expected life of a financial instruments.

Cineplex applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Impairment losses on financial assets carried at amortized cost or FVOCI are reversed in subsequent years if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

Inventories

Inventories consist of food service inventories, gaming inventories and other inventories, including work in progress.

Food service inventories, gaming equipment purchased for re-sale, merchandise that is used as redemption prizes and work-in progress inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method. Net realizable value is the estimated selling price less applicable selling expenses.

Gaming inventories includes gaming equipment purchased for re-sale or transferred from property, equipment and leaseholds and merchandise that is used as redemption prizes for certain games. Gaming equipment also includes equipment that has been transferred from property, equipment and leaseholds to inventory when it is no longer in route operations and it will be sold or auctioned to third parties at the discretion of management. Gaming equipment is transferred to inventory at its net book value and stated at the lower of the net book value or net realizable value. Net realizable value is the estimated selling price less applicable selling expenses.

Other inventories include consumable supplies and work-in-progress being assembled for sale or installation by CDM.

Impairment of non-financial assets

Property, equipment and leaseholds and intangible assets subject to amortization are tested for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Long-lived assets that are not amortized are subject to an annual impairment test. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash inflows relating to the relevant intangible asset (“cash-generating units” or “CGUs”). Cineplex considers each theatre a CGU. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use (being the present value of the

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expected future cash flows of the relevant asset or CGU). An impairment loss if estimated is recognized for the amount by which the CGU's carrying value exceeds its recoverable amount.

Goodwill is reviewed for impairment annually or at any time if an indicator of impairment exists.

Goodwill acquired through a business combination is allocated to each CGU or group of CGUs that is expected to benefit from the related business combination. A group of CGUs represents the lowest level within the entity at which the goodwill is monitored for internal management purposes, which is not higher than an operating segment. Cineplex groups theatre CGUs based on geographical regions of financial management responsibility in testing goodwill for impairments.

Cineplex groups CGUs based on trade name in testing indefinite-lived trade names for impairment.

A reversal of impairment, if estimated, is recognized to a limit of increasing the carrying amount to the lower of the recoverable amount and the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized in prior periods.

Property, equipment and leaseholds

Property, equipment and leaseholds are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying value or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Cineplex and the cost can be measured reliably. The carrying value of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the consolidated statements of operations during the year in which they are incurred.

The major categories of property, equipment and leaseholds are depreciated on a straight-line basis as follows:

Buildings	30 - 40 years
Equipment	3 - 10 years
Leasehold improvements	term of lease but not in excess of the useful lives

For owned buildings constructed on leased property, the useful lives do not exceed the terms of the land leases.

Cineplex allocates the amount initially recognized in respect of an item of property, equipment and leaseholds to its significant parts and depreciates separately each such part. Residual values, method of depreciation and useful lives of the assets are reviewed at least annually or whenever events or circumstances suggest a change that may otherwise indicate an impairment exists and adjusted if appropriate. Construction-in-progress is depreciated from the date the asset is ready for productive use.

Gains and losses on disposals of property, equipment and leaseholds are determined by comparing the proceeds with the carrying value of the asset and are included as part of other gain or loss on the sale of assets in the consolidated statements of operations.

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Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of Cineplex's share of the net identifiable assets of the acquired business at the date of acquisition.

Identifiable intangible assets

Intangible assets include trademarks, trade names, leases, software and customer relationships acquired by Cineplex. As Cineplex intends to use certain of the trademarks and trade names of the Partnership and GEI for the foreseeable future, the useful lives of those trademarks and trade names are indefinite and no amortization is recorded. Other trade names are expected to be substantially discontinued and are amortized over their expected useful lives (note 10, Intangible assets). Management tests indefinite-lived intangible assets for impairment at least annually, and considers at least annually or whenever events or circumstances indicate that the life of an indefinite-lived intangible asset may be finite. The advertising contracts have limited lives and are amortized over their useful lives, estimated to be between five to nine years. The estimated fair value of lease contract assets is amortized on a straight-line basis over the remaining term of the lease into amortization expense.

The major categories of intangible assets are amortized on a straight-line basis as follows:

Internally generated software	3 - 5 years
Customer relationships	5 - 10 years
Trade names	not amortized

Leases

Cineplex conducts a significant part of its operations in leased premises. In assessing whether a contract is, or contains a lease, Cineplex applies the definition of a lease and related guidance set out in IFRS 16 for all lease contracts entered into or modified. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under the provisions of IFRS 16, substantially all of Cineplex's leases are recorded as lease obligations and right-of-use assets.

Lease payments included in the measurement of the lease obligation are comprised of the following:

- i. Fixed lease payments, including in-substance fixed payments;
- ii. Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- iii. Amounts expected to be payable under a residual value guarantee;
- iv. The exercise price of purchase options that Cineplex is reasonably certain to exercise, lease payments in an option renewal period if Cineplex is reasonably certain to exercise the extension option, and penalties for early termination of the lease unless Cineplex is reasonably certain not to terminate early; and
- v. Less any lease incentives receivable.

Variable payments for leases that do not depend on an index or rate are not included in the measurement of the lease liability. The variable payments are recognized as an expense in the period in which they are incurred and are included in the consolidated statement of operations.

Cineplex accounts for any lease and associated non-lease components separately, as opposed to a single arrangement, which is permitted under IFRS 16. Cineplex records non-lease components such as common area

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maintenance as an expense in the period in which they are incurred and are included in the consolidated statement of operations.

Interest on the lease obligations is calculated using the effective interest method with rent payments reducing the liability. The lease obligation is remeasured whenever a lease contract is modified and the lease modification is not accounted for as a separate lease, or there is a change in the assessment of the exercise of an extension option. The lease obligation is remeasured by discounting the revised lease payments using a revised discount rate resulting in a corresponding adjustment to the right-of-use asset or is recorded in gain or loss if the carrying amount of the right-of-use asset has been reduced to zero or the modification results in a reduction in the scope of the lease.

The right-of-use assets are depreciated on a straight-line basis from the date of commencement to the earlier of the end of the useful life of the asset or the end of the lease term.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36, *Impairment of Assets* which replaces the previous requirement to recognize a provision for onerous lease contracts under IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*.

Borrowing costs

Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as interest expense in the consolidated statements of operations in the year in which they are incurred.

Employee benefits

Cineplex is the sponsor of a number of employee benefit plans. These plans include a defined benefit pension plan, additional unfunded defined benefit obligations for former Famous Players employees, and a group registered retirement savings plan.

i. Post-employment benefit obligations

For defined benefit plans, the level of benefit provided is based on the length of service and annual earnings of the person entitled.

The cost of defined benefit plans is determined using the projected unit credit method. The related benefit liability recognized in the consolidated balance sheets is the present value of the defined benefit obligation at the consolidated balance sheet dates less the fair value of plan assets. The cost of the group registered retirement savings plan is charged to expense as the contributions become payable.

Actuarial valuations for defined benefit plans are carried out periodically and considered at each annual consolidated balance sheet date. The discount rate applied in arriving at the present value of the benefit liability represents yields on high-quality corporate bonds that are denominated in Canadian dollars, the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related benefit liability.

The net defined benefit liability (asset) is recognized on the balance sheet without any deferral of actuarial gains and losses. Past service costs are recognized in net income when incurred. Post-employment

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benefits expense includes the net interest on the net defined benefit liability (asset) calculated using a discount rate based on market yields on high quality bonds. Remeasurements consisting of actuarial gains and losses, the actual return on plan assets (excluding the net interest component) and any change in the asset ceiling are recognized in other comprehensive income without recycling to the consolidated statements of operations.

Employee benefits are classified as long-term employee benefits if payments are not expected to be made within the next 12 months.

ii. Share-based compensation - options

Cineplex grants stock options to certain employees. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Until December 16, 2019 the options were considered equity-settled, and fair value of each tranche was measured at the date of grant using the Black-Scholes option pricing model. Compensation expense was based on the number of awards expected to vest and was recognized over the tranche's vesting period, included as employee benefits expense in other costs. On December 16, 2019 as a result of the terms of the Arrangement Agreement, the options were considered cash-settled, and the fair value of the excess of outstanding options in excess of the exercise price was recognized as a current share-based compensation liability, and changes in value were reflected in the statement of operations. Stock options impacted by the termination of the Arrangement Agreement were revalued and accounted for as equity-settled and any previously recognized share based compensation liability was reclassified to contributed surplus. The accelerated recognition of unvested options was reversed and is being recognized over their remaining vesting periods at the value determined at March 31, 2020. Forfeitures are estimated to be nominal, based on historical forfeiture rates.

iii. Share-based compensation - other plans

Cineplex has a number of other cash-settled share-based compensation plans. The obligation for these plans is recorded at fair value on a percentage vested basis. Changes in the obligation are reflected in employee benefits in other costs in the consolidated statements of operations. Cineplex also issues RSUs and PSUs that will be equity settled and will fully vest at the completion of the performance period determined by management at the time of issuance.

Provisions

Provisions for asset retirement obligations, theatre shutdowns and legal claims, where applicable, are recognized when Cineplex has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material. Cineplex performs evaluations to identify onerous contracts and, where applicable, records provisions for such contracts. Provisions are included in other liabilities on the consolidated balance sheets.

Income taxes

Income taxes comprise current and deferred income taxes. Income taxes are recognized in the consolidated statements of operations, except to the extent that they relate to items recognized directly in equity or in OCI, in which case, the income taxes are also recognized directly in equity or in OCI.

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Current income taxes are the expected taxes payable on the taxable income for the year, using income tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to income taxes payable in respect of previous years.

In general, deferred income taxes are recognized in respect of temporary differences arising between the income tax bases of assets and liabilities and their carrying values in the consolidated financial statements. Deferred income taxes are determined on a non-discounted basis using income tax rates and laws that have been enacted or substantively enacted at the consolidated balance sheet dates and are expected to apply when the deferred income tax asset or liability is settled. Deferred income tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred income taxes are provided on temporary differences arising on investments in subsidiaries and joint ventures, except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by Cineplex and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are presented as non-current.

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity.

Dividends

Dividends on common shares are recognized in the consolidated financial statements in the year in which the dividends are approved by the Board of Directors of Cineplex.

Revenue

Film Entertainment and Content

Cineplex generates box office revenues from the sale of admission tickets for theatrical releases purchased by customers in theatres, online at Cineplex.com or through the Cineplex mobile app. Revenue is recognized at the time the obligation is satisfied which is when the movie for which the ticket purchased has played. Amounts collected on advanced tickets sales are recorded as deferred revenue and recognized when the movie has played. Cineplex also generates revenues from the sale of food service which is comprised of food and beverage sales. Food service revenue is recognized when control of the food service has transferred, being at the point the customer purchases the food service at the theatres. Payment of the transaction price is due immediately at the point the customer purchases the concessions. Until December 12, 2021, when retail transactions include the issuance of SCENE points, Cineplex recorded deferred revenue based on the relative stand-alone selling price of the points issued. The deferred revenue associated with the points redeemed is recognized as revenue when points are redeemed by customers or in accordance with Cineplex's accounting policy for breakage. Beginning December 13, 2021, as a result of the the launch of Scene+, Scene+ points issued in association with Cineplex revenue transactions are accounted for as marketing expense.

Cineplex sells gift cards directly to individual customers and vouchers to both wholesale resellers and directly to individual customers. The transaction price received from the sales of gift cards and vouchers is due at the time of sale and is recorded as deferred revenue. Revenues from gift cards and vouchers are recognized either on redemption

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or in accordance with Cineplex's accounting policy for breakage. Breakage income is included in other revenues and represents the estimated value of gift cards and vouchers that are not expected to be redeemed by customers. It is estimated based on historical redemption patterns. The sale of a voucher creates a future obligation from Cineplex to provide an admission ticket or a combination of admission ticket(s) and concessions. The transaction price of the voucher is allocated between box office and concessions based on a relative stand-alone selling price basis.

Media

The media segment principally generates revenue from providing advertising services, sales of digital hardware for digital signage networks, installation of digital hardware, digital software services subscriptions, software maintenance and support services, creative services, printing services and warranties. Products and services may be sold separately or in bundled packages. For bundled packages, Cineplex determines whether individual products and services are distinct (if a product or service is separately identifiable from other items in the bundled package and if a customer can benefit from it). The consideration is allocated between separate products and service in a bundle based on their relative stand-alone selling prices.

Advertising Media

Media revenues consist primarily of advertising revenues generated from customers who advertise their products and services through Cineplex's media offerings which include onscreen, online, magazine, and digital out of home. Revenue for advertising is recognized over time as services are delivered. The transaction price allocated to these services is recognized as the media runs from the start to the end dates specified in the contracts with the customer. The transaction price allocated to the distinct services to be provided is based on the stand-alone selling prices of the distinct services. Amounts collected on advanced media sales are recorded as deferred revenue and recognized over the period that the media is presented.

Each contract with a customer is also evaluated to determine whether Cineplex is the principal or agent in the transaction. For transactions which Cineplex is the principal, revenues are recorded on a gross basis and for transactions where Cineplex is the agent, revenues are recorded on a net basis.

Installation and Digital Hardware for digital signage network

Cineplex sells digital hardware, installation and other professional services for digital signage networks. The installation and other professional services that Cineplex provides are not a significant integration service, does not customize or modify the hardware and can be performed by another party. The installation and other professional services are therefore accounted for as a separate performance obligation and the transaction price is allocated to each performance obligation based on the stand-alone selling prices. Revenue for installation and other professional services are recognized upon completion of the installation of the digital hardware at the individual site being installed for the customer. If contracts include the purchase of hardware, revenue for the hardware is recognized at the point in time when hardware is delivered to the customer. Delivery occurs when the hardware has been shipped to the customer's specific location, the legal title has passed and the customer has accepted the hardware.

Digital software services subscription

Cineplex sells software service subscriptions to customers which provides the functionality for the digital signage network, the customer portal, the content management tool and media player software at the customer's location. Cineplex also sells maintenance and support services for the software service subscriptions. Software service subscription and maintenance and support services are considered to represent a single performance obligation and revenue is recognized over time over the life of the contract. For software service subscriptions, customers have

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payment options of either equal monthly payments over the term of the contract or a single lump sum payment at the inception of the contract. Amounts collected as advanced payments are recorded as deferred revenue and recognized equally over the term of the contract unless the contract contains a renewal option with an embedded material right which provides the customer a material right (such as a free or discounted good or service) and gives rise to a separate performance obligation. If an embedded material right exists, revenue is recognized on a straight-line basis over the term of the contract including the renewal period. Contracts are evaluated to determine whether renewal options provide the customer with an embedded material right and whether a significant financing arrangement exists. For maintenance and support services, the transaction price is paid monthly in equal payments over the term of the contract as service is provided.

Creative Services

Cineplex provides creative services producing content to be run on customer's digital display networks. For creative services, revenue is recognized at a point in time when the project is completed and the customer has accepted the final product. Creative services are based on an hourly rate and the transaction price recognized as revenue is the amount to which Cineplex has a right to invoice based on the amount of hours required to complete the project. Payment of the transaction price is due at completion of the project.

Amusement and Leisure

The amusement and leisure segment principally generates revenue from route operations, the sale of amusement gaming and vending equipment and from the sale of food services and entertainment at location based entertainment venues.

Cineplex operates amusement, gaming and vending equipment at family entertainment centres ("FECs") and non-FECs which is referred to as route operations. The transaction price is the set price that the customer playing the game is required to pay and revenue is recognized upon the customer playing the game. As it relates to gaming revenues, the most significant judgment is determining whether Cineplex is the principal or agent in the route operations. Cineplex is considered to be the principal in its route operations as it owns all of the equipment hosted at sites, is responsible for the maintenance of the equipment, and has control over which equipment will be on site. Revenues from route operations are recorded at the gross amount with the portion shared with the location hosting the equipment recorded in other costs as venue revenue share. Cineplex also sells rechargeable cards to be used for gameplay. IFRS 15 requires unused cash values on the rechargeable cards to be deferred. Revenue from the rechargeable cards is recognized upon redemption or in accordance with Cineplex's policy for breakage based on historical redemption patterns.

For the sale of equipment to customers, revenue is recognized when control of the goods has transferred and title has passed, being when the goods have been delivered to the customer's specific location.

Food and beverage sales at location-based entertainment venues are recognized when control of the goods has transferred, being at the point the customer purchases and receives the goods. Payment of the transaction price is due at the point the customer purchases food and/or beverages.

Income per share

Basic EPS is calculated by dividing the net income for the year attributable to equity owners of Cineplex by the weighted average number of common shares outstanding during the year.

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Diluted EPS is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options and similar instruments is computed using the treasury stock method. Cineplex's potentially dilutive common shares include stock options granted to employees and the conversion feature of the convertible debentures.

Film rental costs

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

Consideration received from vendors

Cineplex receives rebates from certain vendors with respect to the purchase of concession goods. In addition, Cineplex receives payments from vendors for advertising undertaken by the theatres on behalf of the vendors. Cineplex recognizes rebates earned for purchases of each vendor's product as a reduction of concession costs and recognizes payments received for services delivered to the vendor as media or other revenue.

Significant accounting judgments and estimation uncertainties

Critical accounting estimates and judgments

Cineplex makes estimates and assumptions concerning the future that may not equal actual results. The following are the estimates and judgments applied by management that most significantly impact Cineplex's consolidated financial statements. These estimates and judgments have a significant risk of causing a material adjustment to the carrying values of assets and liabilities within the next financial year.

- a) Goodwill and recoverable amount of long lived assets
Recoverable amount

Cineplex tests at least annually whether goodwill suffered any impairment. Assessment of impairment for long-lived assets, including property, equipment, leaseholds, right-of-use assets, intangible assets and goodwill is performed more frequently as specific events or circumstances dictate triggering events and changes in circumstances indicate that the carrying amount of the asset group may not be fully recoverable. Management makes key assumptions and estimates in determining the recoverable amount of its long lived assets and groups of CGUs' goodwill, including attendance and the related revenue growth rates, variable and fixed cash flows, operating margins and discount rates (note 11, Impairment of long-lived assets and goodwill).

- b) Financial instruments
Fair value of over-the-counter derivatives

Cineplex's over-the-counter derivatives include interest rate swaps used to economically hedge exposure to variable cash flows associated with interest payments on Cineplex's borrowings. Management estimates the fair values of these derivatives as the present value of expected future cash flows to be received or paid, based on available market data, which includes market yields and counterparty credit spreads. Cineplex also has a prepayment option on the Notes Payable. The fair market value of

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prepayment option on Notes Payable was determined using an option pricing model with observable market inputs consistent with accepted methods for valuing financial instruments.

c) Revenue recognition
Gift cards

Management estimates the value of gift cards that are not expected to be redeemed by customers, based on the terms of the gift cards and historical redemption patterns, including industry data. The estimates are reviewed annually, or when evidence indicates the existing estimate is not valid.

SCENE

The timing and number of points redeemed by Scene+ members affects the timing and amount of both revenue and cost of redemptions recognized by Cineplex. If the number of points actually redeemed by members is lower than Cineplex's estimate of points expected to be redeemed, the estimate of average revenue per point will be prospectively revised, and net income would be higher over time.

d) Income taxes

The timing of reversal of timing differences and the expected income allocation to various tax jurisdictions within Canada affect the effective income tax rate used to compute the deferred income tax asset. Management will assess the recoverability of deferred tax assets as economic conditions improve. As described in note 2, COVID-19 business impacts, risks and liquidity, there are material uncertainties relating to the recoverability of losses incurred in the current year. Accordingly, no deferred tax assets were recognized in the current period. Management estimates the reversals and income allocation based on historical and budgeted operating results and income tax laws existing at the consolidated balance sheet dates. In addition, management occasionally estimates the current or future deductibility of certain expenditures, affecting current or deferred income tax balances and expenses.

e) Fair value of identifiable assets acquired and liabilities assumed in business combinations

Significant judgment is required in the identifying tangible and intangible assets and liabilities of the acquired businesses, as well as determining their fair values.

f) Share-based compensation

Management is required to make certain assumptions and to estimate future financial performance to estimate the fair value of share-based awards at each consolidated balance sheet date. Significant estimates and assumptions relating to the option plan are disclosed in note 13, Share-based compensation. The LTIP and Incentive Plan requires management to estimate future non-GAAP earnings measures, future revenue growth relative to specified industry peers, and total shareholder return, both absolutely and relative to specified industry peers. Future non-GAAP earnings are estimated based on current projections, updated at least annually, taking into account actual performance since the grant of the award. Future revenue growth relative to peers is based on historical performance and current projections, updated at least annually for actual performance since the grant of the award by Cineplex and its peers. Total shareholder return for Cineplex and its peers is updated at each consolidated balance sheet date based on financial models, taking into account financial market observable inputs.

g) Lease terms

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Some leases of property contain extension options exercisable by Cineplex up to one year before the end of the non-cancellable contract period. Where practicable, Cineplex seeks to include extension options in new leases to provide operational flexibility. In determining the lease term, Cineplex considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. The assessment is reviewed upon a trigger by a significant event or a significant change in circumstances.

Accounting standards applied or adopted in the current year

Cloud Computing Arrangements

In April 2021, the International Financial Reporting Interpretations Committee (IFRIC) finalized their decision with respect to configuration and customization costs in a cloud computing arrangement, particularly surrounding the recognition of an expense or an intangible asset. Cineplex has evaluated the impact regarding the changes surrounding the configuration or customization costs in a cloud computing arrangement and has determined that there is no material effect on its consolidated financial statements.

In January 2020, the International Accounting Standards Board issued Classification of Liabilities as Current or Non-current, which amended IAS 1 Presentation of Financial statements. The amendments clarified how an entity classifies debt and other financial liabilities as current or non-current in particular circumstances. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. Cineplex has not applied the accounting pronouncement issued.

In May 2021, the International Accounting Standards Board issued Deferred Tax related to Assets and Liabilities arising from a Single Transaction, which amended IAS 12 Income Taxes. The amendments require companies to recognize deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. Cineplex has not applied the accounting pronouncement issued.