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

"Gord Nelson"

Gord Nelson
Chief Financial Officer

Toronto, Ontario

February 6, 2023

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, 2022 and 2021, 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, 2022 and 2021;
- the consolidated statements of operations for the years then ended;
- the consolidated statements of comprehensive income (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
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215

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, 2022. 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
Impairment assessment of goodwill and indefinite-lived intangible assets *Refer to note 10 – Intangible assets, note 11 – Impairment of long-lived assets and note 29 – Significant accounting policies, judgments and estimation uncertainty to the consolidated financial statements.* As at December 31, 2022, the Company had \$636 million of goodwill and \$64 million of indefinite-lived intangible assets. 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. 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). A group of CGUs represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. An impairment loss, if estimated, is recognized for the amount by which the CGU's or group of CGUs' carrying value exceeds its recoverable amount. The recoverable amounts were determined based on the fair value less costs to sell (the method) using discounted cash flow models. The significant key assumptions applied by management in estimating the recoverable amounts of the groups of CGUs included	Our approach to addressing the matter included the following procedures, among others: ● Evaluated how management determined the recoverable amounts of goodwill and indefinite-lived intangible assets groups of CGUs, which included the following: – Tested the appropriateness of the method used and the mathematical accuracy of the discounted cash flow models. – Tested the reasonableness of the significant key assumptions used by management, including attendance and the related revenue growth rates applied by management by comparing them to the budget, management's strategic plans approved by the Board of Directors and 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
attendance and the related revenue growth rates and discount rates. No impairment loss was required for goodwill and indefinite-lived intangible assets. We considered this a key audit matter due to the significant judgment made by management in determining the recoverable amounts of the goodwill and indefinite-lived intangible assets groups of CGUs, including the use of significant key assumptions. This has resulted in a high degree of subjectivity and audit effort in performing audit procedures to test the significant key assumptions used 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 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 6, 2023

Cineplex Inc.

Consolidated Balance Sheets

(expressed in thousands of Canadian dollars)

	December 31, 2022	December 31, 2021
Assets		
Current assets		
Cash and cash equivalents (note 3)	$ 34,674	$ 26,938
Trade and other receivables (note 4)	107,088	80,679
Income taxes receivable (note 8)	2,033	1,984
Inventories (note 5)	36,916	24,899
Prepaid expenses and other current assets	15,659	13,365
Fair value of interest rate swap agreements (note 27)	8,993	—
	205,363	147,865
Non-current assets		
Property, equipment and leaseholds (note 6)	449,495	464,439
Right-of-use assets (note 7)	772,978	768,675
Fair value of interest rate swap agreements (note 27)	2,426	—
Interests in joint ventures and associates (note 9)	650	7,423
Intangible assets (note 10)	80,428	81,651
Goodwill (note 11)	636,134	635,545
Derivative financial instrument (note 15)	2,980	9,240
	$ 2,150,454	$ 2,114,838

Business impacts, risks and liquidity (note 2)

Commitments and contingencies (note 26)

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

(expressed in thousands of Canadian dollars)

		December 31, 2022		December 31, 2021
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities (note 12)	$	195,296	$	157,950
Income taxes payable		3,736		1,945
Deferred revenue and other (note 19)		220,527		293,206
Lease obligations (note 14)		96,093		101,058
Fair value of interest rate swap agreements (note 27)		—		8,063
		515,652		562,222
Non-current liabilities				
Share-based compensation (note 13)		3,752		4,940
Long-term debt (note 15)		824,888		739,211
Fair value of interest rate swap agreements (note 27)		—		6,160
Lease obligations (note 14)		1,004,546		1,004,465
Post-employment benefit obligations (note 16)		6,970		9,973
Other liabilities (note 17)		6,460		7,590
		1,846,616		1,772,339
Total liabilities		2,362,268		2,334,561
Shareholders' deficit				
Share capital (note 18)		852,697		852,465
Deficit		(1,148,970)		(1,151,394)
Hedging reserves and other		—		(131)
Contributed surplus		83,006		80,027
Cumulative translation adjustment		1,453		(690)
Total shareholders' deficit		(211,814)		(219,723)
	$	2,150,454	$	2,114,838

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, 2022 and 2021

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

	2022	2021
Revenues (note 19)		
Box office	$ 461,272	$ 236,320
Food service	381,386	186,998
Media	111,728	65,330
Amusement	246,601	134,473
Other	67,575	33,548
	1,268,562	656,669
Expenses and other income		
Film cost	238,897	114,674
Cost of food service	87,702	41,683
Depreciation - right-of-use assets	95,517	102,247
Depreciation and amortization - other assets	105,197	113,042
Gain on disposal of assets (notes 6, 9 and 19)	(57,807)	(28,283)
Other costs (note 20)	687,738	439,554
Share of loss of joint ventures and associates (note 9)	2,608	755
Interest expense - lease obligations (note 14)	61,842	58,590
Interest expense - other	60,826	65,138
Interest income	(277)	(232)
Foreign exchange	(1,371)	(43)
Loss (gain) on financial instruments recorded at fair value (note 15)	6,260	(8,790)
(Reversal) impairment of long-lived assets (note 11)	(19,880)	3,717
	1,267,252	902,052
Income (loss) before income taxes	1,310	(245,383)
Income tax expense (note 8)		
Current	1,197	3,339
Net income (loss)	$ 113	$ (248,722)
Net income (loss) per share - basic and diluted (note 21)	$ —	$ (3.93)

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

Cineplex Inc.

Consolidated Statements of Comprehensive Income (Loss)
For the years ended December 31, 2022 and 2021

(expressed in thousands of Canadian dollars)

	2022	2021
Net income (loss)	$ 113	$ (248,722)
Other comprehensive income		
Items that will be reclassified subsequently to net income:		
Foreign currency translation adjustment	2,143	(188)
Items that will not be reclassified to net income:		
Actuarial income of post-employment benefit obligations	2,311	722
Other comprehensive income	4,454	534
Comprehensive income (loss)	$ 4,567	$ (248,188)

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, 2022 and 2021

(expressed in thousands of Canadian dollars)

	Share capital	Contributed surplus	Hedging reserves and other	Cumulative translation adjustment	Deficit	Total
January 1, 2022	$ 852,465	$ 80,027	$ (131)	$ (690)	$ (1,151,394)	$ (219,723)
Net income	—	—	—	—	113	113
Other comprehensive income (page 4)	—	—	—	2,143	2,311	4,454
Total comprehensive income	**—**	**—**	**—**	**2,143**	**2,424**	**4,567**
Share option expense	—	1,563	—	—	—	1,563
PSU/RSU expense	—	4,820	—	—	—	4,820
Settlement of vested PSU/RSU	36	(3,190)	—	—	—	(3,154)
Issuance of shares on exercise of options	196	(83)	—	—	—	113
Reclassification of hedging reserves and other	—	(131)	131	—	—	—
December 31, 2022	$ 852,697	$ 83,006	$ —	$ 1,453	$ (1,148,970)	$ (211,814)
January 1, 2021	$ 852,379	$ 75,882	$ (131)	$ (502)	$ (903,394)	$ 24,234
Net loss	—	—	—	—	(248,722)	(248,722)
Other comprehensive income (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)

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, 2022 and 2021

(expressed in thousands of Canadian dollars)

	2022	2021
Cash provided by (used in)		
Operating activities		
Net income (loss)	$ 113	$ (248,722)
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Depreciation and amortization - other assets	105,197	113,042
Depreciation - right-of-use assets	95,517	102,247
Unrealized foreign exchange	(1,160)	55
Interest rate swap agreements - non-cash interest	(22,072)	(12,730)
Accretion of convertible debentures and notes payable	18,677	15,973
Other non-cash interest	632	960
Gain on disposal of assets (notes 6, 9 and 19)	(57,807)	(28,283)
Non-cash share-based compensation	6,382	4,292
Change in fair value of financial instruments	6,260	(8,790)
(Reversal) impairment of long-lived assets (note 11)	(19,880)	3,717
Net change in interests in joint ventures and associates	1,394	1,805
Changes in operating assets and liabilities (note 25)	(26,105)	117,438
Net cash provided by operating activities	107,148	61,004
Investing activities		
Proceeds from disposal of assets, net (notes 6 and 7)	1,843	63,215
Purchases of property, equipment and leaseholds (notes 6 and 25)	(64,317)	(23,627)
Intangible assets additions	(9,904)	(9,200)
Tenant inducements	11,249	8,068
Net cash received from CDCP	5,380	1,995
Net cash (used in) provided by investing activities	(55,749)	40,451
Financing activities		
Borrowings (repayments) under credit facilities, net (note 15)	67,000	(246,000)
Repayments of lease obligations - principal	(109,166)	(88,259)
Exercise of cash option	113	—
Issuance of notes payable, net (note 15)	—	243,996
Financing fees	(1,294)	(863)
Net cash used in financing activities	(43,347)	(91,126)
Effect of exchange rate differences on cash	(316)	355
Increase in cash and cash equivalents	7,736	10,684
Cash and cash equivalents - Beginning of period	26,938	16,254
Cash and cash equivalents - End of period	$ 34,674	$ 26,938
Supplemental information		
Cash paid for interest - lease obligation	$ 60,566	$ 56,708
Cash paid for interest - other	$ 67,241	$ 52,143
Cash received for income taxes, net	$ (703)	$ (62,329)

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

(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. ("P1AG"). Cineplex is headquartered at 1303 Yonge Street, Toronto, Ontario, M4T 2Y9.

Cineworld Transaction and Bankruptcy Filing

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 Inc. ("Cineplex") 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.

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 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 "Judgment"). 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.

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 (the "Appeal"). The Appeal was originally scheduled to be heard on October 12 and 13, 2022. On September 7, 2022, Cineworld and certain of its subsidiaries (the "Cineworld Parties") filed a petition in the United States Bankruptcy Court for the Southern District of Texas, (the "U.S. Bankruptcy

Court"), commencing bankruptcy proceedings under Chapter 11 of the United States Bankruptcy Code ("Chapter 11"). On September 8, 2022, the U.S. Bankruptcy Court granted relief requested by the Cineworld Parties in the Chapter 11 proceedings, including an order confirming and enforcing a worldwide stay of all enforcement proceedings by Cineworld's creditors. Cineworld took the position that the Appeal was therefore stayed. On September 9, 2022, Cineplex filed an emergency motion with the U.S. Bankruptcy Court, seeking to lift the stay with respect to the Appeal. Cineplex's emergency motion was heard on September 28, 2022, at which time the U.S. Bankruptcy Court declined Cineplex's requested relief, without prejudice to Cineplex's ability to seek such relief at a later date. On September 30, 2022, on consent of counsel for Cineplex and Cineworld, the Court of Appeal for Ontario adjourned the Appeal until a date to be determined. Accordingly, the hearing of Appeal has been delayed.

Cineplex continues to evaluate and advance all options to maximize and monetize the value of the Judgment. As part of these ongoing efforts, Cineplex has engaged a leading global investment bank with significant expertise in these areas, as financial advisors, and Goodmans LLP, as lead counsel. Cineplex has also been appointed as a member of the unsecured creditors' committee in the Cineworld Parties' Chapter 11 proceedings.

While the Judgment and next steps are a key focus for Cineplex and its advisors, due to uncertainties inherent in appeals and Cineworld's insolvency proceedings, it is not possible for Cineplex to predict the timing or final outcome of the Appeal. Further, even if the Appeal by Cineworld is not successful, Cineplex's claim pursuant to the Judgment is an unsecured claim and Cineworld has a significant amount of secured claims which rank in priority to unsecured claims. Accordingly, Cineworld may not have the ability to pay all or any of the 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 6, 2023.

2. 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 to ensure the safety of Cineplex's employees and customers 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.

Beginning in mid-March 2020, Cineplex's entire circuit of theatres, LBE venues and P1AG route locations were continuously impacted by government mandated restrictions and temporary closures. During the second quarter of 2022, as COVID-19 cases declined across the country, restrictions relating to capacity limits, vaccine passports and mask mandates were removed in all markets in which Cineplex operates theatres and LBE venues across Canada. Cineplex is currently operating at full capacity but is continuously monitoring for any government directives on operating capacities.

Liquidity measures:

- 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;
- 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 had been received by December 31, 2021);
- February 2021: entered into the Third Credit Agreement Amendment providing further financial covenant relief (note 15, 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 15, Long-term debt);
- December 2021: entered into the Fourth Credit Agreement Amendment providing further financial covenant relief (note 15, Long-term debt);

- August 2022: entered into the Fifth Credit Agreement Amendment providing further financial covenant relief (note 15, Long-term debt); and
- December 2022: entered into the Sixth Credit Agreement Amendment, extending the maturity date of the credit facility from November 13, 2023 to November 13, 2024 (note 15, Long-term debt).

Cost reduction and subsidy measures:

- temporary layoffs of part-time employees beginning in December 2021 and further expanding into the first quarter of 2022;
- reviewed 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 deferrals;
- 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, including the Canada Emergency Wage Subsidy ("CEWS"), Canada Emergency Rent Subsidy ("CERS") and Tourism and Hospitality Recovery Program ("THRP") where available, as well as municipal and provincial property tax and energy rebates or subsidies; and
- continued the suspension of dividends.

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.

As at December 31, 2022, Cineplex had a cash balance of $34,674 and $204,112 available under its Revolving Facility subject to the liquidity covenants set forth in the Credit Facilities as amended (note 15, Long-term debt).

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

3. Cash and cash equivalents

Cash and cash equivalents comprise the following:

	2022	2021
Cash at bank and on hand, net of outstanding cheques	$ 34,674	$ 26,938

4. Trade and other receivables

Trade and other receivables comprise the following:

	2022	2021
Trade receivables	$ 84,220	$ 53,326
Other receivables	22,868	27,353
	$ 107,088	$ 80,679

5. Inventories

Inventories comprise the following:

	2022	2021
Food service inventories	$ 10,961	$ 7,815
Gaming inventories	20,155	9,673
Other inventories, including work-in-progress	5,800	7,411
	$ 36,916	$ 24,899

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

6. Property, Equipment, and Leaseholds

Property, equipment and leaseholds consist of:

	Land	Buildings and leasehold improvements	Equipment	Construction-in-progress	Total
At January 1, 2022					
Cost	$ 9,186	$ 831,551	$ 850,433	$ 5,522	$ 1,696,692
Accumulated depreciation	—	(552,530)	(679,723)	—	(1,232,253)
Net book value	$ 9,186	$ 279,021	$ 170,710	$ 5,522	$ 464,439
Year ended December 31, 2022					
Opening net book value	$ 9,186	$ 279,021	$ 170,710	$ 5,522	$ 464,439
Additions, net of transfers	—	16,883	40,004	11,483	68,370
Disposals	(162)	111	(428)	(87)	(566)
Reversal of previously recognized impairment (note 11)	—	10,204	—	—	10,204
Foreign exchange rate changes	—	57	1,076	—	1,133
Depreciation for the year	—	(39,169)	(54,916)	—	(94,085)
Closing net book value	$ 9,024	$ 267,107	$ 156,446	$ 16,918	$ 449,495
At December 31, 2022					
Cost	$ 9,024	$ 847,421	$ 880,631	$ 16,918	$ 1,753,994
Accumulated amortization	—	(580,314)	(724,185)	—	(1,304,499)
Net book value	$ 9,024	$ 267,107	$ 156,446	$ 16,918	$ 449,495
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

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.

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

7. Right-of-use-assets

The following tables present right-of-use assets for Cineplex for the year ended December 31, 2022 and 2021.

Right-of-use assets consists of:

	Property	Equipment	Total
At December 31, 2022			
Cost	$ 1,201,773	$ 24,020	$ 1,225,793
Accumulated depreciation	(435,606)	(17,209)	(452,815)
Net book value	$ 766,167	$ 6,811	$ 772,978
Year ended December 31, 2022			
Balance - December 31, 2021	$ 757,197	$ 11,478	$ 768,675
Additions	4,212	395	4,607
Extensions and modifications	86,822	(1,422)	85,400
Disposals	(119)	—	(119)
Foreign exchange rate changes	256	—	256
Depreciation for the year	(91,877)	(3,640)	(95,517)
Reversal of previously recognized impairment (note 11)	9,676	—	9,676
Closing net book value	$ 766,167	$ 6,811	$ 772,978

	Property	Equipment	Total
At December 31, 2021			
Cost	$ 1,112,361	$ 25,057	$ 1,137,418
Accumulated depreciation	(355,164)	(13,579)	(368,743)
Net book value	$ 757,197	$ 11,478	$ 768,675
Year ended December 31, 2021			
Balance - December 31, 2020	$ 871,741	$ 9,677	$ 881,418
Additions	10,629	5,681	16,310
Extensions and modifications	(24,534)	637	(23,897)
Disposals	129	—	129
Reclassification to interests in joint ventures and associates	(225)	—	(225)
Foreign exchange rate changes	(39)	—	(39)
Depreciation for the year	(97,730)	(4,517)	(102,247)
Impairment (note 11)	(2,774)	—	(2,774)
Closing net book value	$ 757,197	$ 11,478	$ 768,675

COVID-19 resulted in closures of substantially all leased properties and the suspension of the use of most equipment for the first quarter of 2021 continuing into the second quarter of 2021. The rise of the Omicron variant in December 2021 resulted in theatre closures in Ontario and capacity and food service restrictions reinstated in other provinces for a certain period of time during the first quarter of 2022. During the second quarter of 2022, all remaining capacity restrictions were removed and proof of vaccination programs ended.

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

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 reductions or deferrals reduced both lease obligations and right-of-use assets by approximately $8,483 and $35,834 for the year ended December 31, 2022 and 2021, respectively.

In 2021, Cineplex disposed of certain protective rights on leased properties in exchange for $6,436 cash proceeds, reducing right-of-use assets.

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:

		2022		**2021**
Deferred income tax assets				
Property, equipment and leaseholds and deferred tenant inducements - difference between net carrying value and undepreciated capital cost	$	3,690	$	11,653
Accounting provisions not currently deductible		92,391		93,663
Deferred revenue		1,985		15,929
Interest rate swap agreements		—		3,614
Income tax credits available		4,010		3,789
Operating losses available for carry-forward and carry-back		113,730		81,844
Other		10,935		8,909
Total gross deferred income tax assets		226,741		219,401
Future deferred tax liabilities				
Intangible assets		(10,208)		(9,854)
Interest rate swap agreements		(3,121)		—
Goodwill		(32,460)		(29,909)
Convertible debentures		(23,976)		(23,961)
Total gross deferred income tax liabilities		(69,765)		(63,724)
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 2022 current tax expense represents the taxes payable due to taxable income in excess of available non-capital losses as compared to the prior year period for certain taxable entities in the consolidated group.

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

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

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 filed 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 appeal is currently proceeding through the pre-trial steps 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, 2022 was 26.3% (2021 - 26.3%).

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, 2022 and 2021 as follows:

	2022	2021
Income (loss) before income taxes	$ 1,310	$ (245,383)
Combined statutory income tax rates for the current year	26.27 %	26.25 %
Income taxes payable (recoverable) at statutory rate	344	(64,425)
Adjustments relating to prior periods	(724)	872
Other permanent differences	(2,304)	1,757
Derecognition of deferred income tax assets	3,881	65,135
Provision for income taxes	$ 1,197	$ 3,339

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 (in thousands of dollars):

2027	$2,502
2028	8,822
2029	5,122
2030	2,184
2032	254
2034	1,947
2035	2,770
2036	2,749
2037	11,584
2038	3,110
2040	5,933
2041	241,361
2042	118,591
Indefinite	28,966
	$ 435,895

Losses denominated in US dollars are presented at the Canadian dollar equivalent using the December 31, 2022 exchange rate.

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

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. On December 16, 2022, CDCP distributed its assets to its partners and Cineplex recognized a return of capital of $4,443 and a gain of $3,789 (classified under gain (loss) on disposal of assets on the Consolidated Statement of Operations) on wind-up.

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. As a result of the December 13, 2021 step in the reorganization, Cineplex equity accounts for its interest in Scene LP ("Scene+"), and continues to consolidate 50% of Scene GP which subsequent to December 12, 2021 holds the deferred revenue obligation for SCENE points issued up to December 12, 2021. During the third quarter of 2022, Empire Company Limited became a one-third partner of Scene+ and Cineplex continues to maintain a 33.3% interest in Scene+.

Other joint ventures include a 50% interest in a theatre operation (2021 - 50%), and a 50% interest in YoYo's Yogurt Cafe ("YoYo's") (2021 - 50%). Cineplex's investment in YoYo's is carried at nil value.

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, 2022 and 2021:

2022	**CDCP**	**Scene+**	**Other**	**Total**
Ownership percentage	78.2%	33.3 %	17.0%-50.0%	
Voting percentage	50.0%	33.3 %	17.0%-50.0%	
Equity (Deficit)	$ —	$ 9,387	$ (3,470)	$ 5,917
Economic interest	78.2%	33.3%	50%	
	$ —	$ 3,126	$ (1,735)	$ 1,391
Accounts (payable) receivable	—	(2,284)	1,543	$ (741)
Net interest in joint ventures and associates	$ —	$ 842	$ (192)	$ 650
Interest at beginning of year	$ 5,545	$ 2,002	$ (124)	$ 7,423
Investment	—	1,935	—	1,935
Distribution of cash	(5,380)	—	—	(5,380)
Distribution of other assets	(4,443)	—	—	(4,443)
Net change in receivable or payable	—	—	(66)	(66)
Share of net income (loss)	489	(3,095)	(2)	(2,608)
	$ (3,789)	$ 842	$ (192)	$ (3,139)
Gain on windup	$ 3,789	$ —	$ —	3,789
Net interest in joint ventures and associates	$ —	$ 842	$ (192)	$ 650

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

2021	CDCP	Scene+	Other	Total
Ownership percentage	78.2 %	33.3 %	17.0%-50.0%	
Voting percentage	50.0%	50.0%	17.0%-50.0%	
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

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:

2022	CDCP	Scene+	Other	Total
Assets				
Cash and cash equivalents	$ —	$ 6,221	$ —	$ 6,221
Receivables and other current assets	—	32,986	39	33,025
	—	39,207	39	39,246
Equipment	—	3,743	—	3,743
Total assets	$ —	$ 42,950	$ 39	$ 42,989
Liabilities				
Accounts payable and accrued liabilities	$ —	$ 33,265	$ 834	$ 34,099
	—	33,265	834	34,099
Long-term debt	—	—	2,675	2,675
Lease obligations	—	298	—	298
Total liabilities	—	33,563	3,509	37,072
Equity (Deficit)	—	9,387	(3,470)	5,917
Total liabilities and equity	$ —	$ 42,950	$ 39	$ 42,989

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

2021	CDCP	Scene+	Other	Total
Assets				
Cash and cash equivalents	$ 1,423	$ 4,561	$ 1	$ 5,985
Receivables and other current assets	4,601	12,354	59	17,014
	6,024	16,915	60	22,999
Equipment	3,121	1,844	—	4,965
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	—	—	2,539	2,539
Lease obligations	—	377	—	377
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

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:

2022	CDCP	Scene+	Other	Total
Revenues	$ 3,282	$ 31,551	$ 2,732	$ 37,565
Depreciation and amortization	1,380	1,152	—	2,532
Other expenses	1,276	39,500	2,586	43,362
Total expenses	2,656	40,652	2,586	45,894
Net income (loss) and comprehensive income (loss)	$ 626	$ (9,101)	$ 146	$ (8,329)

2021	CDCP	Scene+	Other	Total
Revenues	$ 10,728	$ 890	$ 1,422	$ 13,040
Depreciation and amortization	7,001	73	—	7,074
Other expenses	3,540	4,011	1,348	8,899
Total expenses	10,541	4,084	1,348	15,973
Net income (loss) and comprehensive income (loss)	$ 187	$ (3,194)	$ 74	$ (2,933)

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

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 Scotiabank 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. In conjunction with the agreement, Cineplex's ownership in Scene+ was reduced to 33.3%.

As a result of the December 13, 2021 step in the reorganization, Cineplex equity accounts for its interest in Scene LP, and continues to consolidate 50% of Scene GP which subsequent to December 12, 2021 holds the deferred revenue obligation for SCENE points issued up to December 12, 2021. During the third quarter of 2022, Empire Company Limited became a one-third partner of Scene+ and Cineplex continues to maintain a 33.3% interest in Scene+

The summarized balance sheets of SCENE at December 31 are as follows:

		2022		2021
Assets				
Cash and cash equivalents	$	15,848	$	9,957
Trade and other receivables		3,118		1,268
Prepaid expenses		2,230		196
		21,196		11,421
Promissory notes receivable from partners		19,000		19,000
Total assets	$	40,196	$	30,421
Liabilities				
Accounts payable and accrued liabilities	$	32,656	$	9,798
Deferred revenue		44,889		95,993
Total liabilities		77,545		105,791
Deficiency		(37,349)		(75,370)
	$	40,196	$	30,421

The summarized combined results of operations of SCENE are as follows:

		2022		2021
Revenues	$	51,103	$	42,778
Expenses		92,082		84,502
Net loss	$	(40,979)	$	(41,724)

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

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

10. Intangible assets

Intangible assets consist of the following:

	Customer relationships	Software and other	Trademarks and trade names	Total
At January 1, 2022				
Cost	$ 32,706	$ 60,502	$ 63,599	$ 156,807
Accumulated amortization	(30,686)	(44,470)	—	(75,156)
Net book value	$ 2,020	$ 16,032	$ 63,599	$ 81,651
Year ended December 31, 2022				
Opening net book value	$ 2,020	$ 16,032	$ 63,599	$ 81,651
Additions	—	9,825	—	9,825
Foreign exchange rate changes	64	—	—	64
Amortization for the year	(1,786)	(9,326)	—	(11,112)
Closing net book value	$ 298	$ 16,531	$ 63,599	$ 80,428
At December 31, 2022				
Cost	$ 33,494	$ 70,328	$ 63,599	$ 167,421
Accumulated amortization	(33,196)	(53,797)	—	$ (86,993)
Net book value	$ 298	$ 16,531	$ 63,599	$ 80,428
At January 1, 2021				
Cost	$ 32,755	$ 55,224	$ 63,599	$ 151,578
Accumulated amortization	(28,936)	(37,720)	—	(66,656)
Net book value	$ 3,819	$ 17,504	$ 63,599	$ 84,922
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	$ 2,020	$ 16,032	$ 63,599	$ 81,651

11. Impairment of long-lived assets

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 29, 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.

Fair value less cost to sell is determined using discounted cash flow models that incorporate significant key assumptions relating to attendance and the related revenue growth rates, and discount rates. Further, other assumptions are required pertaining to variable and fixed cash flows, and operating margins. Cineplex projects revenue, operating margins and cash flows for a period of five years, and applies a perpetual long-term growth rate thereafter.

The attendance and revenue growth rates are derived from Cineplex's Board approved budget which considers projected attendance based on film releases, past experience, as well as economic, industry and market trends. 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 10.3% and 14.3% (2021 - between 8.0% and 13.6%), and perpetual growth rates between 0.5% and 1.0% (2021 - 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 higher discount rates primarily reflect an increase in long-term risk-free rates. The impact of the increased discount rates on Cineplex's recoverable amounts were more than offset by the impact of higher cash flows over the forecasted period.

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.

For the exhibition CGUs, a 10% and 15% change in forecasted attendance and related revenue growth rates would result in an impairment loss for two groups of CGUs. For the CDM CGU, a 20% change in revenue growth rates or a 3% change in the discount rate would result in a impairment loss. Cineplex determined that no other reasonable change in assumptions would cause the recoverable amount of any of its CGUs to fall below its carrying value.

Based on Cineplex's assessment of indicators of impairment for long-lived asset CGUs, two theatre location CGUs were noted to have impairment indicators. Based on the results of the impairment tests for these CGUs, Cineplex recognized non-cash impairment charges of $3,503 to property, equipment and leaseholds and $398 to right-of-use assets for the year ended December 31, 2022.

Cineplex reviews previously impaired assets for indicators of impairment recovery at each balance sheet date. During the current period, the renegotiation of a favourable rent arrangement at a location in its theatre operations resulted in significantly higher cash flows, and the reversal of previously recognized impairment. The recovery of the LBE portfolio has been significant, consistent with out-of-home dining and the amusement industry. As a result, Cineplex has reversed previously recognized impairments. Based on the results, Cineplex recognized a reversal of previously recognized impairment of $13,707 to property, equipment and leaseholds and $10,074 to right-of-use assets for the year ended December 31, 2022.

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

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 several provinces 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 three additional provinces. 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.

At the end of each future reporting period Cineplex will assess whether there are indications that the impairment loss recognized 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.

(Reversal) impairment of long-lived assets for the year ended December 31, 2022 and 2021 were as follows:

	2022	2021
(Reversal) impairment of property, equipment and leaseholds	$ (10,204)	$ 943
(Reversal) impairment of right-of-use assets	(9,676)	2,774
(Reversal) impairment of long-lived assets	$ (19,880)	$ 3,717

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

	2022	2021
Balance - Beginning of year	635,545	635,582
Foreign exchange rate changes	589	(37)
Balance - End of year	$ 636,134	$ 635,545

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:

	2022	2021
Exhibition	$ 413,915	$ 413,915
Media	206,385	206,385
Amusement and leisure	15,834	15,245
	$ 636,134	$ 635,545

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

12. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of:

	2022	2021
Accounts payable - trade	$ 91,533	$ 78,254
Film payables and accruals	33,991	27,244
Accrued salaries and benefits	26,977	24,442
Sales taxes payable	13,358	5,275
Accrued occupancy costs	3,794	4,272
Other payables and accrued liabilities	25,643	18,463
	$ 195,296	$ 157,950

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 3,696,379 provided that no more than 1,893,445 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, 2022, 1,605,373 Shares are available to be issued under the Incentive Plan (2021 - 1,489,143).

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.

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

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
February 23, 2022	223,578	13.39	16	One fourth on each successive anniversary of the grant date	February 23, 2032

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

Cineplex recorded $1,563 of employee benefits expense with respect to the options during the year ended December 31, 2022 (2021 - $1,903). The intrinsic value of vested share options at December 31, 2022 is $nil (2021 - $726), based on the closing Share price of $8.05 per share (2021 - $13.49). In the first quarter of 2021, 165,146 stock options issued under the Legacy Plan were cancelled for total consideration of $60 as part of a voluntary stock option cancellation program that was initiated in the fourth quarter of 2020.

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

A summary of option activities in 2022 and 2021 is as follows:

		2022		2021	
	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	7.44	2,198,805	$ 21.48	2,042,019	$ 25.37
Granted		223,578	13.39	459,501	12.69
Cancelled		—	—	(188,303)	43.90
Forfeited		(285,371)	35.75	(87,049)	21.89
Exercised		(34,194)	8.25	(27,363)	8.25
Options outstanding, December 31	7.00	2,102,818	$ 18.90	2,198,805	$ 21.48

At December 31, 2022 and 2021, options are vested and exercisable as follows:

	2022	**2021**
Options vested and exercisable at $12.41	163,421	—
Options vested and exercisable at $12.87	64,818	—
Options vested and exercisable at $8.25	263,997	135,393
Options vested and exercisable at $25.05	373,548	266,236
Options vested and exercisable at $33.59	351,018	302,496
Options vested and exercisable at $51.25	8,677	45,828
Options vested and exercisable at $47.86	11,710	51,812
Options vested and exercisable at $49.14	13,693	49,723
Options vested and exercisable at $40.45	13,123	43,391
Options vested and exercisable at $33.49	12,364	23,144
Options vested and exercisable at $27.33	—	2,563
Options vested and exercisable	1,276,369	920,586

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

The fair value of options granted in 2022 and 2021 were determined using the Black-Scholes valuation model using the following significant inputs:

		2022	2021
Number of options granted		223,578	459,501
Share price	$	13.39	$12.41 - $12.87
Exercise price	$	13.39	$12.41 - $12.87
Expected option life (years)		4.0	4.0
Volatility		49.39 %	47.00 %
Dividend yield		— %	— %
Annual risk-free rate		1.58 %	0.68%-0.72%
Fair value of options granted	$	5.33	$3.70 - $3.83

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, 2022, 608,738 options are available for grant (2021 - 532,760).

RSU and PSU awards

	PSU Share equivalents granted	RSU Share equivalents granted	PSU Share equivalents minimum payout	PSU Share equivalents maximum payout
2022 LTIP awards granted in Q1 2022	177,973	284,661	—	355,946
2021 LTIP awards granted in Q2 2021	167,546	315,619	—	335,092

RSU

During the first quarter of 2022, Cineplex issued 284,661 equity settled RSUs with a fair value $13.39 per unit (total fair value of $3,812 on issuance). The fair value was assessed based on Cineplex's closing Share price on the grant date. The RSU awards issued will vest in the fourth quarter of 2024.

A summary of RSU activities during the years ended December 31, 2022 and 2021 is as follows:

	2022	2021
RSUs outstanding, January 1	536,374	295,189
Granted	284,661	315,619
Settled	(229,450)	(44,014)
Cancelled	(26,307)	(30,420)
RSUs outstanding, December 31	565,278	536,374

The RSUs associated with the 2020 LTIP were accounted for as equity-settled in 2022. The RSUs associated with the 2019 LTIP were settled in 2021 for $586 cash.

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

PSU

During the first quarter of 2022, Cineplex issued 177,973 equity settled PSUs with a fair value of $13.39 per unit (total fair value of $2,383 on issuance). The fair value was assessed based on Cineplex's closing Share price on the grant date. The PSU awards issued will vest in the fourth quarter of 2024. 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. Performance conditions are reflected in Cineplex's estimate of the grant-date fair value for equity instruments granted.

A summary of PSU activities during the years ended December 31, 2022 and 2021 is as follows:

	2022	**2021**
PSUs outstanding, January 1	411,258	333,908
Granted	177,973	167,546
Settled	(232,773)	(88,422)
Cancelled	(24,926)	(1,774)
PSUs outstanding, December 31	331,532	411,258

The PSUs associated with the 2020 LTIP were accounted for as equity-settled in 2022 with a performance factor resulting in 100,092 units settled. The PSUs associated with the 2019 LTIP were settled in 2021 for $100 cash.

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, based on historical forfeiture rates. For the year ended December 31, 2022, Cineplex recognized compensation cost of $4,933 (2021 - $2,881) under the Incentive Plan relating to RSU and PSU. At December 31, 2022, $320 (2021 - $207) was included in current share-based compensation liability and $4,406 in contributed surplus (2021 - $2,776).

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, 2022, Cineplex recognized compensation recovery of $2,099 (2021 expense - $1,184) associated with the deferred equity units. At December 31, 2022, $3,432 (2021 - $4,733) was included in share-based compensation liability.

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

14. Lease obligations

The following table presents lease obligations for Cineplex for the year ended December 31, 2022 and 2021:

	Property	Equipment	Total
Year ended December 31, 2022			
Opening balance	$ 1,092,674	$ 12,849	$ 1,105,523
Additions	4,212	395	4,607
Extensions and modifications	88,178	(1,421)	86,757
Tenant inducement	11,698	—	11,698
Lease payment	(167,104)	(3,045)	(170,149)
Interest expense	61,263	579	61,842
Disposals	9	—	9
Foreign exchange rate changes	352	—	352
Closing lease obligations	$ 1,091,282	$ 9,357	$ 1,100,639
Less: current portion	91,869	4,224	96,093
Non-current portion of lease obligations	$ 999,413	$ 5,133	$ 1,004,546

	Property	Equipment	Total
Year ended December 31, 2021			
Opening balance	$ 1,160,849	$ 10,076	$ 1,170,925
Additions	25,347	5,681	31,028
Extensions and modifications	(18,007)	637	(17,370)
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

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:

	2022	2021
Less than one year	$ 170,438	$ 173,086
One to five years	640,795	637,415
More than five years	705,012	610,456
Total undiscounted lease obligations	$ 1,516,245	$ 1,420,957

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

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

		2022		2021
Depreciation expense on right-of-use assets	$	95,517	$	102,247
Interest expense on lease obligations	$	61,842	$	58,590
Expense relating to variable lease payments not included in the measurement of the lease obligations (i)	$	52,936	$	49,250

(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 20, 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.

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, 2022 were not material.

15. Long-term debt

Long-term debt consists of the following as at December 31, 2022 and 2021:

		December 31, 2022		December 31, 2021
Credit Facilities		327,000		260,000
Convertible Debentures		252,078		234,472
Notes Payable		245,810		244,739
Total	$	824,888	$	739,211
Letters of credit reserved against Revolving Facility	$	10,054	$	10,966
Revolving Facility available	$	204,112	$	270,702

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, SOFR (Secured Overnight Financing Rate) or bankers' acceptances rates plus, in each case, an applicable margin to those rates. The Revolving Facility matures in November 2024. 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.

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, on December 30, 2021 Cineplex entered into the Fourth Credit Agreement Amendment, on August 10, 2022 Cineplex entered into the Fifth Credit Agreement Amendment, and on December 22, 2022 Cineplex entered into the Sixth 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.

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 that are updated from the First, Second and Third Credit Agreement Amendments (certain of which have been modified further by the Fifth Credit Agreement Amendment and Sixth Credit Agreement Amendment described below):

- 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:
    - for the second quarter of 2022, testing was 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 $100.0 million;
- 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.

On August 10, 2022 Cineplex entered into a fifth amending agreement to the Credit Agreement, (the "Fifth Credit Agreement Amendment"), which among other things, extended the suspension of financial covenant testing until the fourth quarter of 2022 and liquidity covenant requirement until March 2023. The following is a summary of the key terms of the Fifth Credit Agreement Amendment:

- The suspension of financial covenant testing was extended until the fourth quarter of 2022. On resumption of financial covenant testing in the fourth quarter of 2022:
  - for the fourth quarter of 2022, testing was based on an annualized calculation of Adjusted EBITDA (as further adjusted in accordance with the Credit Agreement definitions) based on the actual results for the fourth quarter multiplied by 4;
  - for the quarter ending on March 31, 2023, testing will be based on an annualized calculation of Adjusted EBITDA based on actual results for the fourth quarter of 2022 and the first quarter of 2023 multiplied by 2; and
  - for the quarter ending on June 30, 2023, testing will be based on an annualized calculation of Adjusted EBITDA based on the actual results of the fourth quarter of 2022, the first quarter of 2023 and the second quarter of 2023 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 third 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 until March 31, 2023 at no less than $100.0 million;
- 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
- A fixed charge coverage ratio of greater than 1.25x will continue to apply.

As at December 31, 2022, Cineplex's Total Leverage Ratio was 3.69x, as compared to a covenant not to exceed 3.75x. Cineplex's Senior Leverage Ratio was 2.15x, as compared to a covenant not to exceed 2.75x. Cineplex's fixed charge coverage ratio was 1.29x, as compared to a minimum covenant requirement of 1.25x.

On December 22, 2022 Cineplex entered into a sixth amending agreement to the Credit Agreement (the "Sixth Credit Agreement Amendment"). The Sixth Credit Agreement Amendment extends the maturity date of the credit facility from November 13, 2023 to November 13, 2024, amends the standard administrative provisions relating to the potential replacement of benchmark rates, and makes certain other administrative amendments.

This summary of the Sixth Credit Agreement Amendment 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, Fourth, Fifth and Sixth Credit Agreement Amendment were filed on SEDAR on June 30, 2020, November 13, 2020, February 8, 2021, January 4, 2022, August 10, 2022, and December 22, 2022, respectively, for each of Credit Agreement Amendments.

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

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.

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

a) a five-year, $541,166 senior secured Revolving Facility; $327,000 that has been drawn; $10,054 reserved and $204,112 remaining available balance.

At December 31, 2022, Cineplex was subject to a margin of 3.00% (2021 - 3.00%) on the prime rate and 4.00% (2021 - 4.00%) on the bankers' acceptance rate, plus a 0.25% (2021 - 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, 2022 (2021 - 6.90%). 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, 2022 (2021 - 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.

The following table outlines Cineplex's current interest rate swap agreements as of December 31, 2022:

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 13, 2025	2.898 %

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, 2022 Cineplex's effective cost of borrowing on the $450,000 hedged borrowings was 6.904% (December 31, 2021 - $450,000 hedged borrowings - 6.904%) before considering rate mitigation through the above swaps. Cineplex will consider its interest rate exposure in conjunction with its overall capital strategy.

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

Convertible debentures

Convertible debentures consist of the following:

	December 31, 2022	December 31, 2021
Face value of convertible debentures outstanding	$ 316,250	$ 316,250
Unaccreted deferred financing fees and discount	(64,172)	(81,778)
Convertible debentures	$ 252,078	$ 234,472

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 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, 2022, Cineplex recorded accretion and cash interest expense on the Debentures of $17,606 (2021 - $15,201) and $18,184 (2021 - $18,135), respectively, both of which are included as part of the interest expense in the consolidated statement of operations. As at December 31, 2022, 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.

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

Notes payable

Notes Payable outstanding as of December 31, 2022 and 2021 are as follows:

	December 31, 2022	December 31, 2021
Face value of Notes Payable	$ 250,000	$ 250,000
Unaccreted deferred financing fees and discount	(4,190)	(5,261)
Notes Payable	$ 245,810	$ 244,739

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, 2022, Cineplex recorded accretion and cash interest expense on the Notes Payable of $1,071 (2021 - $772) and $18,750 (2021 - $15,822), respectively, both of which are included as part of interest expense in the consolidated statement of operations. As at December 31, 2022, 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 $2,980 as at December 31, 2022 (2021 - $9,240) 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.

16. Post-employment benefit obligations

Cineplex sponsors a defined benefit supplementary executive retirement plan ("DB SERP"). The DB SERP has a defined benefit obligation of $7,784 at December 31, 2022 (December 31, 2021 - $10,054), 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:

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

	2022	2021
DB SERP obligation, net of assets	$ 5,793	$ 8,490
Famous Players Plans obligations	1,177	1,483
Net post-retirement benefit obligation	$ 6,970	$ 9,973

Reconciliation of the net post-retirement benefit obligations

	2022	2021
Accrued benefit obligations		
Balance - Beginning of year	$ 11,537	$ 12,601
Past service cost - vested benefits	4	
Interest cost	330	296
Benefits paid	(123)	(142)
Actuarial gains	(2,787)	(1,218)
Balance - End of year	$ 8,961	$ 11,537
Less: Fair value of plan assets	$ 1,991	$ 1,564
Net post-retirement benefit obligation	$ 6,970	$ 9,973

Significant assumptions

	2022	2021
Accrued benefit obligations at December 31		
Discount rate - all plans	5.10%	2.70% - 2.90%
Health care cost trend rates at December 31		
Initial rate	5.60%	5.72%
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.

	2022	2021
Impact of 1% increase in the discount rate	$ (780)	$ (1,159)
Impact of 1% decrease in the discount rate	$ 905	$ 1,370

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

17. Other liabilities

Other liabilities consist of the following:

	2022	2021
Asset retirement obligations	$ 2,730	$ 3,097
Licensing obligations - non-current	402	1,051
Deferred consideration - AMC business acquisition	3,134	3,134
Other, including provisions	194	308
	$ 6,460	$ 7,590

18. Share capital

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

Share capital balances at December 31, 2022 and 2021 and transactions during the periods are as follows:

2022		Amount	
	Number of common shares issued and outstanding	Common shares	Total
Balance - December 31, 2021	63,344,298	$ 852,465	$ 852,465
Issuance of shares on exercise of options	20,009	196	196
Issuance of shares on settlement of RSU/PSU units	11,093	36	36
Balance - December 31, 2022	63,375,400	$ 852,697	$ 852,697

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

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

19. Revenue

The following tables disclose the changes in deferred revenue and other for the year ended December 31, 2022 and 2021:

	December 31, 2021	Additions	Recognized	December 31, 2022
Gift cards	$ 169,380	$ 78,653	$ 75,418	$ 172,615
SCENE loyalty program	47,997	—	25,552	22,445
Advances, deposits and other	75,829	22,116	72,478	25,467
	$ 293,206	$ 100,769	$ 173,448	$ 220,527

SCENE loyalty program deferred revenue balance relates to SCENE point obligations issued up to December 12, 2021. New Scene+ points issued are recognized as advertising and promotion in other costs in the Consolidated Statement of Operations.

	December 31, 2020	Additions	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, deposits and other	19,849	67,410	11,430	75,829
	$ 219,983	$ 138,915	$ 65,692	$ 293,206

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. During the third quarter of 2022, Cineplex completed specific non-financial milestones and as a result recognized a gain of $50,100 (classified under gain (loss) on disposal of assets on the Consolidated Statement of Operations) related to the reorganization of Scene LP, realizing $50,500 of advances, deposits and other. Approximately $5,100 remains in advances, deposits and other and will be recognized as future performance obligations are completed. Approximately $2,500 remains in accounts payable and accrued liabilities, and will be recognized as funding occurs. Recognition for both items is expected to occur in 2023.

The following tables provide the disaggregation of revenue into categories by nature for the three months and year ended December 31, 2022 and 2021:

Box revenues	**Year ended December 31, 2022**	**2021**
Box office revenues	$ 461,272	$ 236,320

Food service revenues	**Year ended December 31, 2022**	**2021**
Food service - theatres	$ 331,567	$ 159,201
Food delivery - theatres	10,125	13,052
Food service - location-based entertainment	39,694	14,745
Total food service revenues	$ 381,386	$ 186,998

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

Media revenues	**Year ended December 31, 2022**	**2021**
Cinema media	$ 72,275	$ 32,958
Digital place-based media	39,453	32,372
Total media revenues	$ 111,728	$ 65,330

Amusement revenues	**Year ended December 31, 2022**	**2021**
Amusement solutions excluding exhibition and LBE	$ 165,681	$ 100,282
Amusement solutions - exhibition	12,284	4,943
Amusement solutions - location based entertainment	68,636	29,248
Total amusement revenues	$ 246,601	$ 134,473

Other revenues	**Year ended December 31, 2022**	**2021**
Other revenues	$ 67,575	$ 33,548

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

20. Other costs

	Year ended December 31, 2022	Year ended December 31, 2021
Employee wages, salaries and benefits	$ 253,397	$ 150,251
Rent	852	(12,978)
Realty and occupancy taxes and maintenance fees	67,167	56,286
Utilities	31,122	21,717
Purchased services	60,557	39,964
Other inventories consumed, including amusement and digital place-based media	93,925	60,502
Venue revenue share	50,939	29,051
Repairs and maintenance	39,269	24,233
Advertising and promotion	29,089	13,636
Office and operating supplies	11,128	6,526
Licenses and franchise fees	16,173	15,337
Insurance	7,553	6,353
Professional and consulting fees	9,088	17,175
Telecommunications and data	5,720	5,160
Bad debts	(239)	172
Equipment rental	1,579	1,359
Other costs	10,419	4,810
	$ 687,738	$ 439,554

Cineplex operated at full capacity for a majority of the period, compared to the prior year period that was subject to capacity restrictions, in some cases after months of extended closure periods. This resulted in an increase in other costs during the current period. Cineplex recorded the following subsidies which have all been offset against their related costs during the year ended December 31, 2022 and 2021:

Subsidies	Year ended December 31, 2022	Year ended December 31, 2021
Wage subsidy (CEWS and THRP)	$ 21,612	$ 56,059
Rent subsidy (CERS and THRP)	3,461	13,643
Realty tax subsidy	3,731	11,963
Utility subsidy	2,069	4,826
Total	$ 30,873	$ 86,491

21. Net income (loss) per share

Basic

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

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

		2022		2021
Net income (loss)	$	113	$	(248,722)
Weighted average number of shares outstanding		63,359,240		63,339,239
Basic EPS	$	—	$	(3.93)

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. For the year ended December 31, 2022, the options and debentures are anti-dilutive and the anti-dilutive shares that have been excluded were 146,729 potential shares that would be issued under the treasury stock method and 28,907,678 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, as applicable.

		2022		2021
Net income (loss)	$	113	$	(248,722)
Weighted average number of shares for diluted EPS		63,359,240		63,339,239
Diluted EPS	$	—	$	(3.93)

22. Operating segments

Cineplex has four reportable segments; Film Entertainment and Content, Media, Amusement Solutions 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 Solutions
Amusement Solutions is comprised of revenues and costs associated with operating and distributing amusement, gaming and vending equipment.

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, loss (gain) on disposal of assets, foreign exchange, the equity (income) loss of CDCP, 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.

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.

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, 2022 and 2021:

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

Year ended December 31, 2022	Film Entertainment and Content (i)	Media (i)	Amusement Solutions	Location-Based Entertainment	Corporate and other (iii)	Consolidated
Major product and service lines						
Box office	$ 461,272	$ —	$ —	$ —	$ —	$ 461,272
Food service	341,692	—	—	39,694	—	381,386
Media	—	110,674	—	1,054	—	111,728
Amusement	12,284	—	165,681	68,636	—	246,601
Other	66,127	—	—	1,448	—	67,575
Total revenues	$ 881,375	$ 110,674	$ 165,681	$ 110,832	$ —	$ 1,268,562
Primary geographical markets						
Canada	$ 881,375	$ 102,515	$ 54,687	$ 110,832	$ —	$ 1,149,409
United States and other countries	—	8,159	110,994	—	—	119,153
Total revenues	$ 881,375	$ 110,674	$ 165,681	$ 110,832	$ —	$ 1,268,562
Timing of revenue recognition						
Transferred at a point in time	$ 881,375	$ 15,037	$ 165,681	$ 110,832	$ —	$ 1,172,925
Transferred over time	—	95,637	—	—	—	95,637
Total revenues	$ 881,375	$ 110,674	$ 165,681	$ 110,832	$ —	$ 1,268,562
Adjusted EBITDAaL	$ 26,976	$ 60,393	$ 27,471	$ 31,294	$ (64,462)	$ 81,672
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:						(12,663)
Other adjustments (ii)						(52,841)
Depreciation and amortization - other assets						105,197
Interest expense - other						60,826
Interest income						(277)
Provision for income taxes						1,197
(Reversal) impairment of long-lived assets						(19,880)
Net income						$ 113
Other operating segment disclosures						
Depreciation - right-of-use assets	$ 86,711	$ 2,803	$ 2,005	$ 3,574	$ 424	$ 95,517
Depreciation and amortization - other assets	$ 64,972	$ 4,916	$ 17,735	$ 17,574	$ —	$ 105,197
Interest expense - lease obligations	$ 54,655	$ 561	$ 586	$ 5,192	$ 848	$ 61,842
Goodwill balance	$ 413,915	$ 206,385	$ 15,834	$ —	$ —	$ 636,134

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

Year ended December 31, 2021	Film Entertainment and Content (i)	Media (i)	Amusement Solutions	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)
Income taxes recovery						3,339
Impairment of long-lived assets						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	$ 3,717	$ —	$ —	$ —	$ —	$ 3,717
Goodwill balance	$ 413,915	$ 206,385	$ 15,245	$ —	$ —	$ 635,545

(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, loss (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.

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

23. Barter transactions

Cineplex occasionally enters into barter arrangements with other parties to exchange goods or services. During the year ended December 31, 2022, Cineplex provided advertising and media services to third parties and recognized advertising revenues of $1,276 (2021 - $941). Cineplex received sponsorship and advertising services in exchange, recording marketing expenses of $936 (2021 - $1,311). 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.

24. 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.

Joint ventures

Cineplex leased digital projection systems from CDCP up to April 2022, in the amount of $726 for the year ended December 31, 2022 (2021 - $2,308).

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, 2022, Cineplex earned revenue of $602 for these services (2021 - $402).

Cineplex incurred marketing expenses related to Scene+ point issuances from Scene LP in the amount of $16,933 for the year ended December 31, 2022 (2021 - $2,125).

Compensation of key management

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

	2022	2021
Salaries and short-term employee benefits	$ 4,072	$ 4,051
Post-employment benefits	111	73
Share-based compensation	2,795	2,487
	$ 6,978	$ 6,611

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

25. Changes in operating assets and liabilities

The following summarizes the changes in operating assets and liabilities:

	2022	2021
Trade and other receivables	$ (25,414)	$ (30,962)
Inventories	(11,049)	(1,998)
Prepaid expenses and other current assets	(2,053)	(2,912)
Accounts payable and accrued liabilities	41,562	76,097
Income taxes receivable	1,861	65,705
Deferred revenue	(27,820)	13,416
Post-employment benefit obligations	(691)	(806)
Share-based compensation	(1,416)	881
Other liabilities	(1,085)	(1,983)
	$ (26,105)	$ 117,438

Property, equipment and leasehold purchases are included in accounts payable and accrued liabilities as at December 31, 2022, in the amount of $10,876 (2021 - $6,830).

26. Commitments and contingencies

Commitments

As of December 31, 2022, Cineplex has aggregate capital commitments as follows:

Capital commitments for operating locations to be completed or renovated during 2023 - 2026 (i)	$ 49,812
Letters of credit	$ 10,054

(i) The amounts are $32,362 for 2023 and $17,450 for 2024.

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.

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

27. Financial instruments

Fair value of financial instruments

The carrying value and fair value of Cineplex's financial instruments at December 31, 2022 and 2021 are as follows:

Liability (Asset)	Input level	2022 Carrying value	2022 Fair value	2021 Carrying value	2021 Fair value
Convertible debentures	1	318,878	303,600	301,272	417,450
Notes payable	2	245,810	247,188	244,739	265,975
Bank debt	2	327,000	327,000	260,000	260,000
Other liabilities - equipment liabilities	2	1,095	1,095	3,045	3,045
Interest rate swap agreements, net	2	(11,419)	(11,419)	14,223	14,223
Deferred consideration - AMC	2	3,134	3,134	3,134	3,134
Embedded derivative on notes payable	2	2,980	2,980	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 Sixth 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, Third, Fourth, Fifth and Sixth 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 at the date of entering into the lease arrangement, 5.1%. 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.

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 17, Other liabilities). There was no change in fair value of $3,134 for the year ended December 31, 2022.

The convertible debentures are publicly traded on the TSX, and are recorded at amortized cost (note 15, 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 15, 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 15, 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 expected credit loss. 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 management believes reduces credit risk. See note 29, 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, 2022 and 2021:

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

	2022	2021
Trade receivables carrying value	$ 84,220	$ 53,326
Percentage past due	25%	30%
Percentage outstanding more than 120 days	4%	12%

The following schedule reflects the changes in the expected credit loss for trade receivables during the years ended December 31, 2022 and 2021:

	2022	2021
Expected credit loss for trade receivables - Beginning of year	$ 1,230	$ 1,191
Expected credit loss (reversed) or recorded	(296)	197
Amounts written off	(27)	(158)
Expected credit loss for trade receivables - End of year	$ 907	$ 1,230

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.

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

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

					2022
	Payments due by period				
Contractual obligations	**Total**	**Within 1 year**	**2 - 3 years**	**4 - 5 years**	**After 5 years**
Accounts payable and accrued liabilities	$ 195,296	$ 195,296	$ —	$ —	$ —
Long-term debt	327,000	—	327,000	—	—
Interest on long-term debt	42,243	22,575	19,668	—	—
Equipment obligations	1,095	682	320	93	—
Deferred consideration - AMC	3,134	—	3,134	—	—
Convertible debentures	316,250	—	316,250	—	—
Convertible debentures interest	49,969	18,184	31,785	—	—
Notes payable	250,000	—	—	250,000	—
Notes payable interest	63,393	19,910	40,121	3,362	—
Total contractual obligations	$1,248,380	$ 256,647	$ 738,278	$ 253,455	$ —

					2021
	Payments due by period				
Contractual obligations	**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	$1,184,378	$ 222,860	$ 358,554	$ 602,871	$ 93

Existing lease commitments are disclosed in note 14, Lease obligations. Cineplex also has significant new theatre and other capital commitments (note 26, Commitments and contingencies), as well as contingent obligations in the form of letters of credit, guarantees and the Incentive Plan for options, RSUs, and PSUs.

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

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 9.4% (2021 - 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, 2022 would have increased other comprehensive income by $2,658 and increased net income by $47. An assumed decrease of 10% in exchange rates at December 31, 2022 would have decreased other comprehensive income by $3,107 and decreased net income by $47.

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 Credit Facility, 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, 2022, Cineplex recorded non-cash interest income of $22,072 relating its interest rate swaps (2021 - interest income of $12,730).

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

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, 2022 and 2021 of a 1% change in interest rates management believes is reasonably possible:

		2022	
		Pre-tax effects on net income - increase (decrease)	
		1% decrease in interest rates	**1% increase in interest rates**
Financial liability (asset)	**Carrying value of financial liability (asset)**	**Net income**	**Net income**
Long-term debt	$ 327,000	$ 3,351	$ (3,351)
Interest rate swap agreements - net	(11,419)	(5,944)	6,398
		$ (2,593)	$ 3,047

		2021	
		Pre-tax effects on net income - increase (decrease)	
		1% decrease in interest rates	**1% increase in interest rates**
Financial liability	**Carrying value of financial liability**	**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

The carrying value of the interest rate swaps asset was $11,419 at December 31, 2022. If interest rates changed plus or minus 1% from existing estimates throughout the contract period, the carrying value would increase to $17,817 or decrease to $5,475, primarily affecting interest expense.

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

28. 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.

Cineplex is subject to certain covenants on its credit facilities agreement, which defines certain non-GAAP terms and measures. The Total Leverage Ratio may not exceed 3.75 to 1, and will be reduced over the course of 2023 each quarter until it is at 3 to 1 for the third 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. Management continues to focus on reducing its cost of capital. During 2021, Cineplex completed the offering of Notes Payable for $250,000 aggregate principal amount and repaid its Term Facility in full. In 2022 and 2021, Cineplex's capital composition, objectives or strategies all changed in response to the substantial business challenges of COVID-19.

29. 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.

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

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 22, 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 recognizes any non-controlling interest in the acquiree at fair value of the recognized 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 recognized in profit or loss.

Any contingent consideration to be transferred by Cineplex is recognized 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 recognized 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 recognized

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

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 recognized directly in the statement of operations.

Inter-company transactions, balances and unrealized 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 recognized at cost, and the carrying amount is increased or decreased to recognize 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 recognizes the amount in the statement of operations.

Profits and losses resulting from upstream and downstream transactions between Cineplex and its associate are recognized in the group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealized 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 recognized in the consolidated statement of operations.

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 recognized at cost and adjusted thereafter to recognize 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 recognize further losses, unless it has incurred obligations or made payments on behalf of the joint venture or associate.

Unrealized 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. Unrealized losses are also eliminated unless the

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

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 then 50% economic interest in Scene LP, the operator of the Scene+ loyalty program. Cineplex holds a 1/3rd ownership interest in Scene LP as at December 31, 2022

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.

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;

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

- 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 recognized 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.

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.

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

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, expected credit losses 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 credit loss 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, 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 on average cost methodology. 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 cost is determined on a specific-item basis, and 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. Management makes assumptions and estimates in determining the recoverable amount of its long lived assets and groups of CGUs' goodwill, including significant key assumptions relating to attendance and the related revenue growth rates and discount rates. Further, other assumptions are required pertaining to variable and fixed cash flows, and operating margins. (See note 11, Impairment of long-lived assets).

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.

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

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

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

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.*

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 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.

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

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, Cineplex recorded deferred revenue for Scene points issued with respect to retail transaction, based on the relative stand-alone selling price of the points issued. The deferred revenue associated with the points redeemed were recognized as revenue when points were 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 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 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.

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).

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 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, 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

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

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.

Amendments to existing accounting standards

The International Accounting Standards Board ("IASB") has published a number of amendments to existing accounting standards effective for years beginning on or after January 1, 2023. Cineplex continues to evaluate the impact of the amended accounting standards on Cineplex's consolidated financial statements and has not early adopted any amendments to existing accounting standards.

The following amendments are currently being evaluated by Cineplex:

IAS 12, Deferred taxes related to assets and liabilities arising from a single transaction

In May 2021, the IASB issued deferred tax related to assets and liabilities arising from a single transaction. The amendments narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

IAS 1, Classification of liabilities as current or non-current

In December 2020 the IASB published classification of liabilities as current or non-current (2020 amendments). The 2020 amendments clarified aspects of how entities classify liabilities as current or non-current.

IAS 8, Definition of accounting estimates

In February 2021, the IASB issued definition of accounting estimates, which amended IAS 8, *Accounting Policies*, *Changes in Accounting Estimates and Errors*. The amendments introduced the definition of accounting estimates and included other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies.