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 7, 2024

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, 2023 and 2022, 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, 2023 and 2022;
- 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, comprising material accounting policy information 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 2500, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215, ca_toronto_18_york_fax@pwc.com

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, 2023. 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 28 – Material accounting policies, judgments and estimation uncertainty to the consolidated financial statements.* As at December 31, 2023, the Company had $620 million of goodwill and $64 million of indefinite-lived intangible assets from continuing operations. 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 attendance (applicable for the	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 (applicable for the exhibition CGUs only) 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
exhibition CGUs only) 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 7, 2024

Cineplex Inc.

Consolidated Balance Sheets

(expressed in thousands of Canadian dollars)

	Notes	December 31, 2023	December 31, 2022
Assets			
Current assets			
Cash and cash equivalents	3	$ 36,666	$ 34,674
Trade and other receivables	4	97,689	107,088
Income taxes receivable	8	2,766	2,033
Inventories	5	17,624	36,916
Prepaid expenses and other current assets		11,481	15,659
Fair value of interest rate swap agreements	26	3,217	8,993
Assets held for sale	2	93,322	—
		262,765	205,363
Non-current assets			
Property, equipment and leaseholds	6	394,382	449,495
Right-of-use assets	7	754,793	772,978
Deferred income taxes	8	146,784	—
Fair value of interest rate swap agreements	26	1,109	2,426
Interests in joint ventures and associates	9	4,896	650
Intangible assets	10	80,873	80,428
Goodwill	11	620,300	636,134
Derivative financial instrument	15	5,590	2,980
		$ 2,271,492	$ 2,150,454
Contingent liabilities	25		
Subsequent events	29		

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

(expressed in thousands of Canadian dollars)

	Notes	December 31, 2023	December 31, 2022
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	12	$ 172,482	$ 195,296
Income taxes payable	8	173	3,736
Deferred revenue and other	19	197,329	220,527
Lease obligations	14	85,030	96,093
Liabilities related to assets held for sale	2	27,241	—
		482,255	515,652
Non-current liabilities			
Share-based compensation	13	4,470	3,752
Long-term debt	15	817,439	824,888
Lease obligations	14	993,404	1,004,546
Post-employment benefit obligations	16	7,114	6,970
Other liabilities	17	6,245	6,460
		1,828,672	1,846,616
Total liabilities		2,310,927	2,362,268
Shareholders' deficit			
Share capital	18	856,696	852,697
Deficit		(981,973)	(1,148,970)
Contributed surplus		85,235	83,006
Cumulative translation adjustment		607	1,453
Total shareholders' deficit		(39,435)	(211,814)
		$ 2,271,492	$ 2,150,454

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, 2023 and 2022

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

	Notes	Year ended December 31, 2023	2022 (Revised - Note 2)
	2		
Revenues	19		
Box office		$ 599,903	$ 461,272
Food service		483,149	381,386
Media		118,655	111,728
Amusement		96,507	80,920
Other		90,680	67,575
		1,388,894	1,102,881
Expenses			
Film cost		323,412	238,897
Cost of food service		113,987	87,702
Depreciation - right-of-use assets		87,657	93,512
Depreciation and amortization - other assets		88,881	89,466
Loss (gain) on disposal of assets	6	2,910	(57,748)
Other costs	20	624,771	553,583
Share of loss of joint ventures and associates	9	4,523	2,608
Interest expense - lease obligations	14	66,493	61,256
Interest expense - other		88,445	60,835
Interest income		(897)	(277)
Foreign exchange		834	(2,930)
(Gain) loss on financial instruments recorded at fair value	15	(2,610)	6,260
Reversal of impairment of long-lived assets	11	—	(19,880)
		1,398,406	1,113,284
Loss from continuing operations before income taxes		(9,512)	(10,403)
Income tax recovery	8		
Current		(839)	(724)
Deferred		(146,724)	—
		(147,563)	(724)
Net income (loss) from continuing operations		138,051	(9,679)
Net income from discontinued operations, net of taxes	2	29,113	9,792
Net income		$ 167,164	$ 113

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, 2023 and 2022

(expressed in thousands of Canadian dollars)

		Year ended December 31,	
		2023	**2022**
	2		**(Revised - Note 2)**
Net income (loss) from continuing operations		$ 138,051	$ (9,679)
Other comprehensive income (loss)			
Items that will be reclassified subsequently to net income:			
Foreign currency translation adjustment		(70)	180
Items that will not be reclassified to net income:			
Actuarial (loss) income of post-employment benefit obligations, net of deferred income taxes recovery of $60 (2022- $nil)		(167)	2,311
Comprehensive income (loss) from continuing operations		137,814	(7,188)
Net income from discontinued operations, net of taxes	2	29,113	9,792
Foreign currency translation adjustment from discontinued operations	2	(776)	1,963
Total comprehensive income		$ 166,151	$ 4,567
Earnings (loss) per share from continuing operations - basic	21	$ 2.18	$ (0.15)
Earnings per share from discontinued operations - basic	21	$ 0.46	$ 0.15
Earnings per share - basic	21	$ 2.64	$ —
Earnings (loss) per share from continuing operations - diluted	21	$ 1.80	$ (0.15)
Earnings per share from discontinued operations - diluted	21	$ 0.32	$ 0.15
Earnings per share - diluted	21	$ 2.12	$ —

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, 2023 and 2022

(expressed in thousands of Canadian dollars)

	Share capital	Contributed surplus	Hedging reserves and other	Cumulative translation adjustment	Deficit	Total
January 1, 2023	$ 852,697	$ 83,006	$ —	$ 1,453	$ (1,148,970)	$ (211,814)
Net income	—	—	—	—	167,164	167,164
Other comprehensive loss	—	—	—	(846)	(167)	(1,013)
Total comprehensive (loss) income	**—**	**—**	**—**	**(846)**	**166,997**	**166,151**
Share option expense	—	1,289	—	—	—	1,289
PSU/RSU expense	—	4,939	—	—	—	4,939
Settlement of vested PSU/RSU	3,955	(3,955)	—	—	—	—
Issuance of shares on exercise of options	44	(44)	—	—	—	—
December 31, 2023	$ 856,696	$ 85,235	$ —	$ 607	$ (981,973)	$ (39,435)
January 1, 2022	$ 852,465	$ 80,027	$ (131)	$ (690)	$ (1,151,394)	$ (219,723)
Net income	—	—	—	—	113	113
Other comprehensive income	—	—	—	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)

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

(expressed in thousands of Canadian dollars)

	Notes	Year ended December 31, 2023	Year ended December 31, 2022
	2		(Revised - Note 2)
Cash provided by (used in)			
Operating activities			
Net income (loss) from continuing operations		$ 138,051	$ (9,679)
Adjustments to reconcile net loss to net cash provided by operating activities			
Depreciation and amortization - other assets		88,881	89,466
Depreciation - right-of-use assets		87,657	93,512
Unrealized foreign exchange		(124)	—
Interest rate swap agreements - non-cash interest		6,337	(22,072)
Accretion of convertible debentures and notes payable		21,551	18,677
Other non-cash interest		601	553
Loss (gain) on disposal of assets	6	2,910	(57,748)
Deferred income taxes	8	(146,724)	—
Non-cash share-based compensation		6,229	6,382
Change in fair value of financial instruments		(2,610)	6,260
Reversal of impairment of long-lived assets	11	—	(19,880)
Net change in interests in joint ventures and associates		4,687	1,394
Changes in operating assets and liabilities	24	(11,352)	(28,586)
Net cash provided by operating activities from continuing operations		196,094	78,279
Net cash provided by operating activities from discontinued operations		13,037	28,869
Net cash provided by operating activities		209,131	107,148
Investing activities			
Proceeds from disposal of assets, including asset related insurance recoveries	6,7	1	1,843
Purchases of property, equipment and leaseholds	6,24	(52,478)	(55,005)
Intangible assets additions		(10,974)	(9,904)
Tenant inducements		10,010	11,249
Investment in joint ventures and associates		(8,934)	—
Net cash received from CDCP		—	5,380
Net cash used in investing activities from continuing operations		(62,375)	(46,437)
Net cash used in investing activities from discontinued operations		(10,560)	(9,312)
Net cash used in investing activities		(72,935)	(55,749)
Financing activities			
(Repayments) borrowings under credit facilities, net	15	(29,000)	67,000
Repayments of lease obligations - principal		(100,334)	(105,618)
Exercise of cash option		—	113
Financing fees		(1,061)	(1,294)
Net cash used in financing activities from continuing operations		(130,395)	(39,799)
Net cash used in financing activities from discontinued operations		(3,944)	(3,548)
Net cash used in financing activities		(134,339)	(43,347)

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, 2023 and 2022

(expressed in thousands of Canadian dollars)

	Notes	Year ended December 31, 2023	2022
	2		(Revised - Note 2)
Effect of exchange rate differences on cash from continuing operations		(19)	174
Effect of exchange rate differences on cash from discontinued operations		154	(490)
Effect of exchange rate differences on cash		135	(316)
Increase in cash and cash equivalents		1,992	7,736
Cash and cash equivalents - Beginning of period		34,674	26,938
Cash and cash equivalents - End of period		$ 36,666	$ 34,674
Supplemental information			
Cash paid for interest - lease obligation from continuing operations		$ 66,457	$ 60,059
Cash paid for interest - lease obligation from discontinued operations		$ 542	$ 507
Cash paid for interest - lease obligation		$ 66,999	$ 60,566
Cash paid for interest - other from continuing operations		$ 57,864	$ 67,249
Cash paid for interest - other from discontinued operations		$ 65	$ (8)
Cash paid for interest - other		$ 57,929	$ 67,241
Cash refunded for income taxes, net from continuing operations		$ (93)	$ (706)
Cash paid for income taxes, net from discontinued operations		$ 4,415	$ 3
Cash paid (refunded) for income taxes, net		$ 4,322	$ (703)

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, until February 1, 2024, Player One Amusement Group Inc. ("P1AG"). Cineplex is headquartered at 1303 Yonge Street, Toronto, Ontario, M4T 2Y9.

The Board of Directors approved these consolidated financial statements on February 7, 2024.

Cineworld Transaction and Bankruptcy Filing

On September 7, 2022, Cineworld Group plc "(Cineworld") filed a petition, in the United States Bankruptcy Court, commencing Chapter 11 bankruptcy proceedings. Cineworld's bankruptcy proceedings effectively put an end to Cineplex's $1,240,000 judgement, against Cineworld, awarded by the Ontario Superior Court of Justice on December 14, 2021. Cineworld entered into a restructuring agreement with some of its lenders on April 2, 2023 and filed a proposed plan of reorganization (the "Chapter 11 Plan") on April 11, 2023. The Chapter 11 Plan was confirmed by the U.S. Bankruptcy Court on June 28, 2023 and made effective on July 31, 2023. The Chapter 11 Plan contemplates holders of general unsecured claims (which includes Cineplex's litigation claim of $1,240,000) receiving, in aggregate, (i) USD $10,000,000 in cash and (ii) interests in a litigation trust relating to certain class actions against credit card issuers (collectively, the "Recovery Pool"). Cineplex's allocated portion of the Recovery Pool is not expected to be a material amount and has not been accrued as a receivable in Cineplex's financial statements as at December 31, 2023.

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

2. Assets held for sale and discontinued operations

On November 22, 2023, Cineplex Entertainment Limited Partnership ("CELP") announced it had entered into a definitive share purchase agreement to sell 100% of the issued and outstanding shares of Player One Amusement Group Inc. ("P1AG") for cash proceeds of $155,000, subject to customary post-closing adjustments (the "Sale Transaction"). The Sale Transaction closed on February 1, 2024. On closing of the Sale Transaction, P1AG and CELP entered into a long-term agreement under which P1AG will continue to supply and service amusement games in Cineplex's theatres and location-based entertainment venues. The proceeds from the Sale Transaction were used to repay bank debt. Cineplex expects to recognize a material gain in connection with the sale of P1AG in the first quarter of 2024.

Cineplex has measured, presented and disclosed financial information of P1AG as a discontinued operation in accordance with IFRS 5, *Non-current assets held for sale and discontinued operations*. Under this standard, Cineplex has met the criteria to record P1AG as a discontinued operation, therefore effective with the year ended December 31, 2023, P1AG's financial performance and cash flows are presented in these annual consolidated financial statements as discontinued operations on a retroactive basis. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

As per IFRS 5, non-current assets and disposal groups should be classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use, and measured at the lower of their carrying amount and fair value less costs to sell and are no longer depreciated or amortized. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification are regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale be expected to be completed within one year from the date of the classification.

Assets and liabilities classified as held for sale are presented separately as current items on the consolidated balance sheet. A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale and:

- represents a separate major line of business or geographical area of operations,
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or
- is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as after tax profit or loss from discontinued operations in the consolidated statement of operations and comparative periods have been restated.

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

The major classes of assets and liabilities at December 31, 2023 classified as held for sale are as follows:

Trade and other receivables	$	11,526
Inventories		22,116
Prepaid expenses and other current assets		2,633
Property, equipment and leaseholds		25,083
Right-of-use assets		7,831
Deferred income taxes		8,515
Goodwill		15,618
Assets held for sale	$	93,322
Accounts payable and accrued liabilities	$	10,407
Income taxes payable		2,174
Deferred revenue and other		2,515
Lease obligations		8,895
Other liabilities		14
Deferred income taxes		3,236
Liabilities related to assets held for sale	$	27,241
Net assets held for sale	$	66,081

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

The following table discloses revenues, expenses, net income and comprehensive income of the discontinued operations for the year ended December 31, 2023 and 2022:

	Year ended December 31,	
	2023	**2022**
Revenues		
Amusement	$ 193,759	$ 165,681
Expenses		
Depreciation - right-of-use assets	2,640	2,005
Depreciation and amortization - other assets	10,680	15,731
Gain on disposal of assets	(430)	(59)
Other costs	153,534	134,155
Interest expense - lease obligations	673	586
Interest expense - other	65	(9)
Foreign exchange	(447)	1,559
	166,715	153,968
Income before income taxes	27,044	11,713
Income tax (recovery) expense		
Current	3,210	1,921
Deferred	(5,279)	—
	(2,069)	1,921
Net income from discontinued operations	$ 29,113	$ 9,792
Other comprehensive income		
Items that will be reclassified subsequently to net income:		
Foreign currency translation adjustment from discontinued operations	(776)	1,963
Comprehensive income from discontinued operations	$ 28,337	$ 11,755
Earnings per share from discontinued operations - basic	$ 0.46	$ 0.15
Earnings per share from discontinued operations - diluted	$ 0.32	$ 0.15

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

The following table shows the changes to previously disclosed revenues, expenses and net income (loss) for the year ended December 31, 2022 and 2021:

	2022			2021		
	Reported	P1AG	Revised	Reported	P1AG	Revised
Revenues						
Box office	$ 461,272	$ —	$ 461,272	$ 236,320	$ —	$ 236,320
Food service	381,386	—	381,386	186,998	—	186,998
Media	111,728	—	111,728	65,330	—	65,330
Amusement	246,601	165,681	80,920	134,473	100,282	34,191
Other	67,575	—	67,575	33,548	—	33,548
	1,268,562	165,681	1,102,881	656,669	100,282	556,387
Expenses						
Film cost	238,897	—	238,897	114,674	—	114,674
Cost of food service	87,702	—	87,702	41,683	—	41,683
Depreciation - right-of-use assets	95,517	2,005	93,512	102,247	3,154	99,093
Depreciation and amortization - other assets	105,197	15,731	89,466	113,042	20,218	92,824
(Gain) loss on disposal of assets	(57,807)	(59)	(57,748)	(28,283)	79	(28,362)
Other costs	687,738	134,155	553,583	439,554	87,579	351,975
Share of loss of joint ventures and associates	2,608	—	2,608	755	—	755
Interest expense - lease obligations	61,842	586	61,256	58,590	519	58,071
Interest expense - other	60,826	(9)	60,835	65,138	(3)	65,141
Interest income	(277)	—	(277)	(232)	(4)	(228)
Foreign exchange	(1,371)	1,559	(2,930)	(43)	45	(88)
Loss (gain) on financial instruments recorded at fair value	6,260	—	6,260	(8,790)	—	(8,790)
(Reversal) impairment of long-lived assets	(19,880)	—	(19,880)	3,717	—	3,717
	1,267,252	153,968	1,113,284	902,052	111,587	790,465
Income (loss) before income taxes	1,310	11,713	(10,403)	(245,383)	(11,305)	(234,078)
Income tax expense (recovery)						
Current	1,197	1,921	(724)	3,339	—	3,339
Net income (loss)	113	9,792	(9,679)	(248,722)	(11,305)	(237,417)
Net income (loss) from discontinued operations, net of taxes	—	—	9,792	—	—	(11,305)
Net income (loss)	$ 113	$ 9,792	$ 113	$(248,722)	$ (11,305)	$(248,722)

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

The following table discloses changes to previously disclosed cash flows for the year ended December 31, 2022 and 2021:

	2022			2021		
	Reported	**P1AG**	**Revised**	**Reported**	**P1AG**	**Revised**
Net cash provided by operating activities	$ 107,148	$ 28,869	$ 78,279	$ 61,004	$ 14,475	$ 46,529
Net cash (used in) provided by investing activities	(55,749)	(9,312)	(46,437)	40,451	(3,479)	43,930
Net cash used in financing activities	(43,347)	(3,548)	(39,799)	(91,126)	(3,670)	(87,456)
Effect of exchange rate differences on cash	(316)	(490)	174	355	189	166
Net cash inflow (outflow)	7,736	15,519	(7,783)	10,684	7,515	3,169
Net cash inflow from discontinued operations	—	—	15,519	—	—	7,515
Net cash inflow	$ 7,736	$ 15,519	$ 7,736	$ 10,684	$ 7,515	$ 10,684

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

3. Cash and cash equivalents

Cash and cash equivalents comprise the following:

	2023	2022
Cash at bank and on hand, net of outstanding cheques	$ 36,666	$ 34,674

4. Trade and other receivables

Trade and other receivables comprise the following:

	2023	2022
Trade receivables	$ 85,073	$ 84,220
Other receivables	12,616	22,868
	$ 97,689	$ 107,088

5. Inventories

Inventories comprise the following:

	2023	2022
Food service inventories	$ 11,805	$ 10,961
Gaming inventories	—	20,155
Other inventories, including work-in-progress	5,819	5,800
	$ 17,624	$ 36,916

(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, 2023					
Cost	$ 9,024	$ 847,421	$ 880,631	$ 16,918	$ 1,753,994
Accumulated depreciation	—	(580,314)	(724,185)	—	(1,304,499)
Net book value	$ 9,024	$ 267,107	$ 156,446	$ 16,918	$ 449,495
Year ended December 31, 2023					
Opening net book value	$ 9,024	$ 267,107	$ 156,446	$ 16,918	$ 449,495
Additions, net of transfers	—	27,565	37,884	(3,295)	62,154
Assets reclassified to held for sale	—	(1,066)	(24,017)	—	(25,083)
Disposals	—	9	(1,271)	(906)	(2,168)
Foreign exchange rate changes	—	(16)	(370)	—	(386)
Depreciation for the year from continuing operations	—	(40,345)	(38,901)	—	(79,246)
Depreciation for the year from discontinued operations	—	(259)	(10,125)	—	(10,384)
Closing net book value	$ 9,024	$ 252,995	$ 119,646	$ 12,717	$ 394,382
At December 31, 2023					
Cost	$ 9,024	$ 873,744	$ 794,026	$ 12,717	$ 1,689,511
Accumulated depreciation	—	(620,749)	(674,380)	—	(1,295,129)
Net book value	$ 9,024	$ 252,995	$ 119,646	$ 12,717	$ 394,382

	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 from continuing operations	—	(38,882)	(41,258)	—	(80,140)
Depreciation for the year from discontinued operations	—	(287)	(13,658)	—	(13,945)
Closing net book value	$ 9,024	$ 267,107	$ 156,446	$ 16,918	$ 449,495

(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, 2023 and 2022:

	Property	Equipment	Total
At December 31, 2023			
Cost	$ 1,254,470	$ 19,136	$ 1,273,606
Accumulated depreciation	(505,144)	(13,669)	(518,813)
Net book value	$ 749,326	$ 5,467	$ 754,793
Year ended December 31, 2023			
Opening net book value	$ 766,167	$ 6,811	$ 772,978
Additions	26,724	148	26,872
Extensions and modifications	52,276	1,056	53,332
Assets reclassified to held for sale	(7,831)	—	(7,831)
Disposals	—	(181)	(181)
Foreign exchange rate changes	(80)	—	(80)
Depreciation for the year from continuing operations	(85,293)	(2,364)	(87,657)
Depreciation for the year from discontinued operations	(2,637)	(3)	(2,640)
Closing net book value	$ 749,326	$ 5,467	$ 754,793

	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			
Opening net book value	$ 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 from continuing operations	(89,881)	(3,631)	(93,512)
Depreciation for the year from discontinued operations	(1,996)	(9)	(2,005)
Reversal of previously recognized impairment (note 11)	9,676	—	9,676
Closing net book value	$ 766,167	$ 6,811	$ 772,978

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

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:

	2023	2022
Deferred income tax assets		
Property, equipment and leaseholds and deferred tenant inducements - difference between net carrying value and undepreciated capital cost	$ 7,936	$ 3,690
Accounting provisions not currently deductible	88,832	92,391
Deferred revenue	1,240	1,985
Income tax credits available	3,763	4,010
Operating losses available for carry-forward and carry-back	101,913	113,730
Other	12,512	10,935
Total gross deferred income tax assets	216,196	226,741
Deferred tax liabilities		
Intangible assets	(13,152)	(10,208)
Interest rate swap agreements	(1,198)	(3,121)
Goodwill	(31,086)	(32,460)
Convertible debentures	(23,976)	(23,976)
Total gross deferred income tax liabilities	(69,412)	(69,765)
Net deferred income tax	$ 146,784	$ 156,976
Deferred income tax asset not recognized	$ —	$ 156,976
Net deferred income tax recognized	$ 146,784	$ —

At December 31, 2020 the recoverability of the net deferred income tax assets was uncertain and accordingly the net deferred tax assets were derecognized. During the second quarter of 2023, Cineplex assessed the recoverability of net deferred income tax assets and determined that the expected return to profitability provided a reasonable expectation that previously derecognized net deferred income tax assets will be utilized to offset future periods of taxable income, resulting in income tax recovery of approximately $150,225 in the second quarter of 2023.

By Notice of Reassessment (“NOR”) dated January 22, 2019, the Canada Revenue Agency (“CRA”), disallowed the deduction of $26,600 of losses of AMC Ventures Inc. (“AMC”) that Cineplex had obtained on the acquisition of AMC in 2012. The disallowance of the losses, which offset taxable income generated in 2014, increased taxes and interest payable by approximately $8,600, 50% of which was required to be paid immediately (interest continues to accrue on the unpaid amount). Cineplex disagrees with the CRA’s position, and has 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, 2023 was 26.3% (2022 - 26.3%).

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

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, 2023 and 2022 as follows:

	2023	2022
Loss before income taxes from continuing operations	$ (9,512)	$ (10,403)
Combined statutory income tax rates for the current year	26.27 %	26.27 %
Income taxes (receivable) payable at statutory rate	(2,499)	(2,733)
Adjustments relating to prior periods	1,918	(724)
Recognition of deferred income tax assets	(148,979)	—
Deferred income tax assets not recognized	—	7,538
Other permanent differences	1,997	(4,805)
Provision for income taxes from continuing operations	$ (147,563)	$ (724)

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 from continuing operations as at December 31, 2023 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
2038	3,110
2040	3,853
2041	240,396
2042	113,237
2043	605
	$ 387,551

(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"), was a joint venture formed by Cineplex and Empire Theatres Limited to finance the implementation of digital projectors. Cineplex leased 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 loss (gain) on disposal of assets on the Consolidated Statement of Operations) on wind-up.

As part of the 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 which 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 (2022 - 50%). Cineplex's investment in Yogurt Cafe YoYo's (2022 - 50%) 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, 2023 and 2022:

2023	CDCP	Scene+	Other	Total
Ownership percentage	0%	33.3 %	50 %	
Voting percentage	0%	33.3 %	50 %	
Equity (Deficit)	$ —	$ 21,187	$ (3,563)	$ 17,624
Economic interest	0%	33.3%	50%	
	$ —	$ 7,055	$ (1,781.5)	$ 5,273.5
Accounts receivable	—	(1,967)	1,589.5	$ (377.5)
Net interest in joint ventures and associates	$ —	$ 5,088	$ (192)	$ 4,896
Interest at beginning of year	$ —	$ 842	$ (192)	$ 650
Investment	—	8,934	—	8,934
Net change in receivable or payable	—	—	(165)	(165)
Share of net (loss) income	—	(4,688)	165	(4,523)
Net interest in joint ventures and associates	$ —	$ 5,088	$ (192)	$ 4,896

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

2022	**CDCP**	**Scene+**	**Other**	**Total**
Ownership percentage	78.2%	33.3 %	50 %	
Voting percentage	50.0%	33.3 %	50 %	
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

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:

2023	**CDCP**	**Scene+**	**Other**	**Total**
Assets				
Cash and cash equivalents	$ —	$ 26,649	$ —	$ 26,649
Receivables and other current assets	—	61,228	39	61,267
	—	87,877	39	87,916
Equipment	—	5,905	—	5,905
Total assets	$ —	$ 93,782	$ 39	$ 93,821
Liabilities				
Accounts payable and accrued liabilities	$ —	$ 71,636	$ 925	$ 72,561
Long-term debt	—	—	2,677	2,677
Lease obligations	—	958	—	958
Total liabilities	—	72,594	3,602	76,196
Equity (Deficit)	—	21,188	(3,563)	17,625
Total liabilities and equity	$ —	$ 93,782	$ 39	$ 93,821

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

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
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

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:

2023	CDCP	Scene+	Other	Total
Revenues	$ —	$ 46,513	$ 3,149	$ 49,662
Depreciation and amortization	—	2,094	—	2,094
Other expenses	—	58,482	2,910	61,392
Total expenses	—	60,576	2,910	63,486
Net (loss) income and comprehensive (loss) income	$ —	$ (14,063)	$ 239	$ (13,824)

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)

(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, SCENE.

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

	2023	2022
Assets		
Cash and cash equivalents	$ 8,349	$ 15,848
Trade and other receivables	635	3,118
Prepaid expenses	—	2,230
	8,984	21,196
Promissory notes receivable from partners	19,000	19,000
Total assets	$ 27,984	$ 40,196
Liabilities		
Accounts payable and accrued liabilities	$ 4,170	$ 32,656
Deferred revenue	31,974	44,889
Total liabilities	36,144	77,545
Deficiency	(8,160)	(37,349)
	$ 27,984	$ 40,196

The summarized results of operations of SCENE are as follows:

	2023	2022
Revenues	$ 12,915	$ 51,103
Expenses	24,726	92,082
Net loss	$ (11,811)	$ (40,979)

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, 2023				
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
Year ended December 31, 2023				
Opening net book value	$ 298	$ 16,531	$ 63,599	$ 80,428
Additions	—	10,378	—	10,378
Foreign exchange rate changes	(2)	—	—	(2)
Amortization for the year from continuing operations	—	(9,635)	—	(9,635)
Amortization for the year from discontinued operations	(296)	—	—	(296)
Closing net book value	$ —	$ 17,274	$ 63,599	$ 80,873
At December 31, 2023				
Cost (i)	$ 12,300	$ 80,707	$ 63,599	$ 156,606
Accumulated amortization (i)	(12,300)	(63,433)	—	$ (75,733)
Net book value	$ —	$ 17,274	$ 63,599	$ 80,873
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 from continued operations	—	(9,326)	—	(9,326)
Amortization for the year from discontinued operations	(1,786)	—	—	(1,786)
Closing net book value	$ 298	$ 16,531	$ 63,599	$ 80,428

(i) The $21,194 change in cost and $20,896 change in accumulated amortization is related to fully amortized customer relationships assets for discontinued operations (P1AG).

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

11. Impairment of long-lived assets

Cineplex generally performs its annual test for impairment of goodwill and indefinite-lived intangible assets in the fourth quarter. 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 (applicable for the exhibition CGUs only) 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 9.7% and 15.2% (2022 - between 10.3% and 14.3%), and perpetual growth rates between 0.5% and 1.0% (2022 - between 0.5% and 1.0%), which are consistent with the observed long-term average growth rates in the exhibition, amusement and leisure, and digital media industries.

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

For the exhibition CGUs, a 30% change in forecasted attendance and related revenue growth rates would result in a material impairment loss however management does not believe this is reasonably likely. For the CDM CGU, a 2% change in the discount rate or a 5% change in the revenue growth rates would result in a material 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 no impairment loss was recognized in the current period. In the prior period 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 December 31, 2022.

Cineplex reviews previously impaired assets for indicators of impairment recovery at each balance sheet date. During the current period there were no reversal of impairments recognized, however in the prior 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 was significant in 2022, consistent with out-of-home dining and the amusement industry. As a result, Cineplex reversed previously recognized impairments 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)

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, Cineplex will estimate the recoverable amount of that asset and may reverse previously recorded impairment losses.

A summary of the reversal of long-lived assets for the year ended December 31, 2023 and 2022 were as follows:

		2023		2022
Reversal of impairment of property, equipment and leaseholds	$	—	$	(10,204)
Reversal of impairment of right-of-use assets		—		(9,676)
Reversal of impairment of long-lived assets	$	—	$	(19,880)

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

		2023		2022
Balance - Beginning of year	$	636,134	$	635,545
Foreign exchange rate changes		(216)		589
Assets reclassified to held for sale		(15,618)		—
Balance - End of year	$	620,300	$	636,134

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:

		2023		2022
Exhibition	$	413,915	$	413,915
Media		206,385		206,385
Amusement and leisure		—		15,834
	$	620,300	$	636,134

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

12. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of:

		2023		2022
Accounts payable - trade	$	80,898	$	91,533
Film payables and accruals		25,444		33,991
Accrued salaries and benefits		27,898		26,977
Sales taxes payable		12,160		13,358
Accrued occupancy costs		2,437		3,794
Other payables and accrued liabilities		23,645		25,643
	$	172,482	$	195,296

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 3,488,373 provided that no more than 696,130 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, 2023, 787,113 Shares are available to be issued under the Incentive Plan (2022 - 1,605,373).

Stock Options

Stock options issued under the Incentive Plan are administered by the Board of Directors which establishes 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 are accounted for as equity-settled.

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

Cineplex recorded $1,289 of employee benefits expense with respect to the options during the year ended December 31, 2023 (2022 - $1,563). The intrinsic value of vested share options at December 31, 2023 is $2,464 (2022 - $nil), based on the closing Share price of $8.37 per share (2022 - $8.05).

A summary of option activities in 2023 and 2022 is as follows:

		2023		2022	
	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	2,102,818	$ 18.90	2,198,805	$ 21.48
Granted		461,786	8.71	223,578	13.39
Forfeited		(190,122)	24.65	(285,371)	35.75
Exercised		(13,877)	8.25	(34,194)	8.25
Options outstanding, December 31	6.71	2,360,605	$ 16.51	2,102,818	$ 18.90

At December 31, 2023 and 2022, options are vested and exercisable as follows:

	2023	2022
Options vested and exercisable at $13.39	53,097	—
Options vested and exercisable at $12.41	131,546	163,421
Options vested and exercisable at $12.87	129,616	64,818
Options vested and exercisable at $8.25	363,790	263,997
Options vested and exercisable at $25.05	471,120	373,548
Options vested and exercisable at $33.59	336,627	351,018
Options vested and exercisable at $51.25	—	8,677
Options vested and exercisable at $47.86	—	11,710
Options vested and exercisable at $49.14	—	13,693
Options vested and exercisable at $40.45	—	13,123
Options vested and exercisable at $33.49	—	12,364
Options vested and exercisable	1,485,796	1,276,369

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

The fair value of options granted in 2023 and 2022 were determined using the Black-Scholes valuation model using the following significant inputs:

	2023	2022
Number of options granted	461,786	223,578
Share price	$ 8.71	$ 13.39
Exercise price	$ 8.71	$ 13.39
Expected option life (years)	4.0	4.0
Volatility	51.31 %	49.39 %
Annual risk-free rate	3.19 %	1.58 %
Fair value of options granted	$ 2.90	$ 5.33

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, 2023, 1,239,385 options are available for grant (2022 - 608,738).

RSU and PSU awards

	PSU Share equivalents granted	RSU Share equivalents granted	PSU Share equivalents minimum payout	PSU Share equivalents maximum payout
2023 LTIP awards granted in Q1 2023	307,551	477,254	—	615,102
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 2023, Cineplex issued 477,254 equity settled RSUs with a fair value $8.71 per unit (total fair value of $4,157 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 2025.

A summary of RSU activities during the years ended December 31, 2023 and 2022 is as follows:

	2023	2022
RSUs outstanding, January 1	565,278	536,374
Granted	477,254	284,661
Settled	(250,563)	(229,450)
Forfeited	(82,452)	(26,307)
RSUs outstanding, December 31	709,517	565,278

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

PSU

During the first quarter of 2023, Cineplex issued 307,551 equity settled PSUs with a fair value of $8.71 per unit (total fair value of $2,679 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 2025. 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, 2023 and 2022 is as follows:

	2023	2022
PSUs outstanding, January 1	331,532	411,258
Granted	307,551	177,973
Settled	(96,018)	(232,773)
Forfeited	(74,180)	(24,926)
PSUs outstanding, December 31	468,885	331,532

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, 2023, Cineplex recognized compensation cost of $4,910 (2022 - $4,933) under the Incentive Plan relating to RSU and PSU awards. At December 31, 2023, $nil (2022 - $320) was included in current share-based compensation liability and $5,390 in contributed surplus (2022 - $4,406).

The RSUs and PSUs associated with the 2020 and 2021 LTIP were equity-settled in 2022 and 2023, respectively.

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, 2023, Cineplex recognized compensation expense of $128 (2022 recovery - $2,099) associated with the deferred equity units. At December 31, 2023, $4,470 (2022 - $3,432) 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, 2023 and 2022:

	Property	Equipment	Total
Year ended December 31, 2023			
Opening balance	$ 1,091,282	$ 9,357	1,100,639
Additions	26,724	148	26,872
Extensions and modifications	52,457	1,055	53,512
Reclassified to held for sale	(8,895)	—	(8,895)
Tenant inducement	10,292	—	10,292
Lease payment	(166,388)	(4,483)	(170,871)
Interest expense from continuing operations	66,037	456	66,493
Interest expense from discontinued operations	673	—	673
Disposals	—	(196)	(196)
Foreign exchange rate changes	(85)	—	(85)
Closing lease obligations	$ 1,072,097	$ 6,337	$ 1,078,434
Less: current portion	82,848	2,182	85,030
Non-current portion of lease obligations of continuing operations	$ 989,249	$ 4,155	$ 993,404

	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 from continuing operations	60,677	579	61,256
Interest expense from discontinued operations	586	—	586
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

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

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

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

	2023	2022 (Revised - Note 2)
Less than one year	$ 166,482	$ 166,100
One to five years	659,731	631,544
More than five years	855,867	704,989
Total undiscounted lease obligations	$ 1,682,080	$ 1,502,633

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

	2023	2022 (Revised - Note 2)
Depreciation expense on right-of-use assets	$ 87,657	$ 93,512
Interest expense on lease obligations	$ 66,493	$ 61,256
Expense relating to variable lease payments not included in the measurement of the lease obligations (i)	$ 51,230	$ 52,316

(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, 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.

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, 2023 were not material.

15. Long-term debt

Long-term debt consists of the following as at December 31, 2023 and December 31, 2022:

	December 31, 2023		December 31, 2022	
	Book Value	Face Value	Book Value	Face Value
Credit Facilities	$ 298,000	$ 298,000	$ 327,000	$ 327,000
Convertible Debentures (i)	272,469	316,250	252,078	316,250
Notes Payable (i)	246,970	250,000	245,810	250,000
Total	$ 817,439	$ 864,250	$ 824,888	$ 893,250

(i) Book value represents the carrying value of the debt component, which is the initial fair value of the instrument, plus cumulative accretion.

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

Interest expense	**Full Year**	
	2023	**2022**
Interest expense on long-term debt	$ 59,331	$ 62,800
Lease interest expense (i)	66,058	60,840
Financing fees	1,060	1,293
Sub-total - cash interest expense from continuing operations	**$ 126,449**	**$ 124,933**
Deferred financing fee accretion and other non-cash interest, net	601	553
Accretion expense on Debentures and Notes Payable	21,551	18,677
Interest rate swap - non-cash	6,337	(22,072)
Sub-total - non-cash interest expense from continuing operations	**28,489**	**(2,842)**
Total interest expense from continuing operations	**$ 154,938**	**$ 122,091**
Total cash interest paid from continuing operations	**$ 124,321**	**$ 127,308**

(i) Represents total cash interest paid and accrued cash interest related to lease obligations.

Credit facilities

Until December 13, 2023, Cineplex had bank facilities with a syndicate of lenders which included 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, CELP, the guarantors from time to time party thereto, and a syndicate of lenders dated November 13, 2018. The Term Facility was repaid in full in the first quarter of 2021 and is no longer available for future borrowing.

On December 13, 2023, Cineplex entered into the Eighth Amended and Restated Credit Agreement with the same syndicate of lenders, (the "Eighth Credit Agreement"), which extended the maturity date to November 13, 2025, and now governs the Credit Facilities on substantially the same terms, including in respect of the financial covenants.

The Eighth Credit Agreement bears interest at a floating rate based on the Canadian dollar prime rate, U.S. Base Rate, SOFR (Secured Overnight Financing Rate), CORRA (Canadian Overnight Repo Rate Average) or bankers' acceptances rates plus, in each case, an applicable margin to those rates. Borrowings can be made in either Canadian or US dollars.

The Eighth Credit Agreement contains 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.

This summary of the Eighth Credit Agreement is qualified in its entirety by reference to the provisions of the Eighth Credit Agreement which contains a complete statement of those terms and conditions, and was filed on SEDAR+ on December 13, 2023. The Seventh Amended and Restated Credit Agreement and each of the First, Second, Third, Fourth, Fifth, Sixth, and Seventh Amendments were filed on SEDAR+ on June 30, 2020, November 13, 2020, February 8, 2021, January 4, 2022, August 10, 2022, December 22, 2022, and March 28, 2023, respectively.

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

At December 31, 2023, the Eighth Credit Agreement consisted of the following amounts:

	Available	Drawn	Reserved	Remaining
Revolving Facility	$ 541,166	$ 298,000	$ 8,400	$ 234,766

The table below is a summary of the financial covenants under the Eighth Credit Agreement:

Financial Covenant	Amendment	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024 and thereafter
Total Leverage Ratio	Commencing Q1 2023 through to and including Q3 2023 testing is suspended and amended as follows:	—	—	—	3.25x	3.00x
Senior Leverage Ratio	Amended as follows:	3.25x	2.75x	2.50x	2.25x	2.00x
Fixed Charge Coverage Ratio	Amended as follows:	1.10x	1.10x	1.10x	1.25x	1.25x

Cineplex's financial covenant ratios at the end of the last four quarters were as follows:

Financial Covenant	Q1 2023	Q2 2023	Q3 2023	Q4 2023
Total Leverage Ratio	N/A	N/A	N/A	2.68x
Senior Leverage Ratio	2.86x	2.03x	1.48x	1.50x
Fixed Charge Coverage Ratio	1.16x	1.30x	1.48x	1.46x

One of the key financial covenants in the Eighth Credit Agreement is the Total Leverage Ratio which is calculated in accordance with IFRS in effect at November 13, 2018, which excludes the impact of the adoption of IFRS 16 on Cineplex's financial reporting. The definition of debt for the purposes of the Total Leverage Ratio includes amounts drawn and reserved under the Eighth Credit Agreement, financing leases, Notes Payable and letters of credit but does not include Debentures, the lease obligations arising on the adoption of IFRS 16 or a reduction for cash on hand. The definition of debt for the purposes of the Senior Leverage Ratio includes amounts drawn and reserved under the Eighth Credit Agreement, financing leases and letters of credit but does not include Notes Payable, Debentures, the lease obligations arising on the adoption of IFRS 16 or a reduction for cash on hand. For the purpose of the Eighth Credit Agreement definition, EBITDA is adjusted for certain non-cash, non-recurring items, excluded subsidiaries and the annualized impact of new operating locations or acquisitions.

While Cineplex is forecasting compliance of the financial covenants for at least the next twelve month period, the projected compliance is sensitive to a fluctuation in the quarterly cash flow projections. Cineplex monitors compliance on an ongoing basis and is able to safeguard against any potential breach of a covenant through measures including obtaining further agreement amendments, raising capital through issuance of debt, or a decrease in discretionary capital expenditures.

At December 31, 2023, Cineplex was subject to a margin of 1.75% (2022 - 3.00%) on the prime rate and margin of 2.75% (2022 - 4.00% on bankers' acceptances) on the CORRA advances and SOFR advances, plus a 0.25% (2022 - 0.25%) per annum fee for letters of credit issued. The average interest rate on borrowings under the Credit Facilities and the Eighth Credit Agreement was 5.65% for the year ended December 31, 2023 (2022 - 6.90%). Cineplex pays a commitment fee on the daily unadvanced portion of the Eighth Credit Agreement, which will vary based on certain financial ratios and was 0.6875% at December 31, 2023 (2022 - 1.00%).

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

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, 2023, including swaps 1 and 2 which matured on November 14, 2023:

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.

Based on the Eighth Credit Agreement in effect at December 31, 2023 Cineplex's effective cost of borrowing on the first $150,000 hedged borrowings was 5.648% (December 31, 2022 - $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.

Convertible debentures

Convertible debentures consist of the following:

	December 31, 2023	December 31, 2022
Face value of convertible debentures outstanding	$ 316,250	$ 316,250
Unaccreted deferred financing fees and discount	(43,781)	(64,172)
Convertible debentures	$ 272,469	$ 252,078

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 were 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.

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

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, 2023, Cineplex recorded accretion and cash interest expense on the Debentures of $20,390 (2022 - $17,606) and $18,184 (2022 - $18,184), respectively, both of which are included as part of the interest expense in the consolidated statement of operations. As at December 31, 2023, Cineplex has $316,250 principal amount of Debentures outstanding. The residual value was allocated to the equity component less the pro-rata portion of transaction costs as prescribed by IFRS 9, *Financial instruments* and IAS 32, *Financial instruments: Presentation*.

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

Notes payable

Notes Payable outstanding as of December 31, 2023 and 2022 are as follows:

	December 31, 2023		December 31, 2022	
Face value of Notes Payable	$	250,000	$	250,000
Unaccreted deferred financing fees and discount		(3,030)		(4,190)
Notes Payable	$	246,970	$	245,810

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, 2023, Cineplex recorded accretion and cash interest expense on the Notes Payable of $1,160 (2022 - $1,071) and $18,750 (2022 - $18,750), respectively, both of which are included as part of interest expense in the consolidated statement of operations. As at December 31, 2023, 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 $5,590 as at December 31, 2023 (2022 - $2,980) 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.

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

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 $7,965 at December 31, 2023 (December 31, 2022 - $7,784), which is substantially unfunded. Annual benefits payable are $650 upon retirement 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:

	2023	2022
DB SERP obligation, net of assets	$ 5,974	$ 5,793
Famous Players Plans obligations	1,140	1,177
Net post-retirement benefit obligation	$ 7,114	$ 6,970

Reconciliation of the net post-retirement benefit obligations

	2023	2022
Accrued benefit obligations		
Balance - Beginning of year	$ 8,961	$ 11,537
Past service cost - vested benefits	—	4
Interest cost	454	330
Benefits paid	(115)	(123)
Actuarial gains	(195)	(2,787)
Balance - End of year	$ 9,105	$ 8,961
Less: Fair value of plan assets	$ 1,991	$ 1,991
Net post-retirement benefit obligation	$ 7,114	$ 6,970

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

Significant assumptions

	2023	2022
Accrued benefit obligations at December 31		
Discount rate - all plans	4.60%	5.10%
Health care cost trend rates at December 31		
Initial rate	4.00%	5.60%
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.

		2023		2022
Impact of 1% increase in the discount rate	$	(792)	$	(780)
Impact of 1% decrease in the discount rate	$	919	$	905

17. Other liabilities

Other liabilities consist of the following:

		2023		2022
Asset retirement obligations	$	2,698	$	2,730
Licensing obligations - non-current		249		402
Deferred consideration - AMC business acquisition		3,134		3,134
Other, including provisions		164		194
	$	6,245	$	6,460

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

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, 2023 and 2022 and transactions during the periods are as follows:

2023		Amount
	Number of common shares issued and outstanding	Share capital
Balance - December 31, 2022	63,375,400	$ 852,697
Issuance of shares on exercise of options	1,566	44
Issuance of shares on settlement of RSU/PSU units	307,315	3,955
Balance - December 31, 2023	63,684,281	$ 856,696

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

(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, 2023 and 2022:

	December 31, 2022	Additions	Recognized	Reclassified to held for sale	December 31, 2023
Gift cards	$ 172,615	$ 94,793	$ 105,800	$ —	$ 161,608
SCENE loyalty program	22,445	—	6,458	—	15,987
Advances, deposits and other	25,467	44,782	48,000	2,515	19,734
	$ 220,527	$ 139,575	$ 160,258	$ 2,515	$ 197,329

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 and are not reflected in deferred revenue on the balance sheet.

	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

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 $344 (2022 - $5,100) remains in advances, deposits and other and will be recognized as future performance obligations are completed. During the third quarter of 2023, the remaining $200 (2022 - $2,500) in accounts payable and accrued liabilities, was recognized.

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

The following tables provide the disaggregation of revenue into categories by nature for the three months and year ended December 31, 2023 and 2022:

Box revenues	**Year ended December 31, 2023**	**2022**
Box office revenues	$ 599,903	$ 461,272

Food service revenues	**Year ended December 31, 2023**	**2022**
Food service - theatres	$ 425,865	$ 331,567
Food delivery - theatres	8,568	10,125
Food service - location-based entertainment	48,716	39,694
Total food service revenues	$ 483,149	$ 381,386

Media revenues	**Year ended December 31, 2023**	**2022**
Cinema media	$ 80,057	$ 72,275
Digital place-based media	38,598	39,453
Total media revenues	$ 118,655	$ 111,728

Amusement revenues	**Year ended December 31, 2023**	**2022 (Revised - Note 2)**
Amusement revenue - exhibition	$ 16,207	$ 12,284
Amusement revenue - LBE	80,300	68,636
Total amusement revenues	$ 96,507	$ 80,920

Other revenues	**Year ended December 31, 2023**	**2022**
Other revenues	$ 90,680	$ 67,575

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

20. Other costs

	Year ended December 31, 2023	Year ended December 31, 2022 (Revised - Note 2)
Employee wages, salaries and benefits	$ 278,694	$ 229,089
Variable rent	4,209	748
Realty and occupancy taxes and maintenance fees	71,514	66,090
Utilities	32,611	30,781
Purchased services	71,750	55,609
Other inventories consumed, including amusement and digital place-based media	24,580	51,987
Repairs and maintenance	42,805	35,402
Advertising and promotion	40,633	28,823
Office and operating supplies	11,835	11,044
Licenses and franchise fees	16,355	15,521
Insurance	6,463	5,794
Professional and consulting fees	9,394	8,905
Telecommunications and data	4,649	5,068
Bad debts	145	(229)
Equipment rental	1,528	1,495
Business interruption insurance proceeds	(1,136)	—
Other costs	8,742	7,456
	$ 624,771	$ 553,583

Cineplex recognized nominal subsidies during 2023 compared to material subsidies during the year ended December 31, 2022, summarized below.

Subsidies	**Year ended December 31, 2022**
Wage subsidy (CEWS and THRP)	$ 21,612
Rent subsidy (CERS and THRP)	3,461
Realty tax subsidy	3,731
Utility subsidy	2,069
Total	$ 30,873

Net income from discontinued operations on the Statement of Operations also includes subsidies in the amount of $2,817 for the year to date period (2022 - $788).

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

21. Earnings (loss) per share

Basic

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

	Year ended December 31, 2023	2022 (Revised - Note 2)
Net income (loss) from continuing operations	$ 138,051	$ (9,679)
Weighted average number of shares outstanding	63,401,529	63,359,240
Earnings (loss) per share from continuing operations - basic	$ 2.18	$ (0.15)
Earnings per share from discontinued operations - basic	$ 0.46	$ 0.15
Earnings per share - basic	$ 2.64	$ —

Diluted

Diluted earnings (loss) per share 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, 2023, dilutive shares that have been included in the current period were 26,191 potential shares that would be issued under the treasury stock method and 28,907,678 potential shares that would be issued under the if-converted method relating to debenture units outstanding. The options and debentures were anti-dilutive in 2022, as applicable.

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

	Year ended December 31, 2023	Year ended December 31, 2022 (Revised - Note 2)
Net income (loss) from continuing operations	$ 138,051	$ (9,679)
Adjustments for convertible debentures	28,430	—
Diluted net income (loss)	$ 166,481	$ (9,679)
Weighted average number of shares outstanding	63,401,529	63,359,240
Adjustments for stock options	26,191	—
Adjustments for convertible debentures	28,907,678	—
Weighted average number of shares for diluted EPS	92,335,398	63,359,240
Earnings (loss) per share from continuing operations - diluted	$ 1.80	$ (0.15)
Earnings per share from discontinued operations - diluted	$ 0.32	$ 0.15
Earnings per share - diluted	$ 2.12	$ —

22. Operating segments

Cineplex has three reportable segments; Film Entertainment and Content, Media, and Location-Based Entertainment. The reportable segments are business units offering differing products and services and managed separately due to their distinct natures. These three 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.

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.

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 on disposal of assets, foreign exchange, the equity income 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.

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.

Amusement Solutions (P1AG)
Through November 22, 2023, Cineplex reported a fourth reportable segment, Amusement Solutions, which was comprised of revenues and costs associated with operating and distributing amusement, gaming and vending equipment.

The following tables disclose the results of the Film Entertainment and Content, Media, and Location-Based Entertainment segments for the year ended December 31, 2023 and 2022:

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

Year ended December 31, 2023	Film Entertainment and Content (i)	Media (i)	Location-Based Entertainment	Corporate and other (iii)	Consolidated Continuing Operations	Discontinued Operations Amusement Solutions (P1AG)
Major product and service lines						
Box office	$ 599,903	$ —	$ —	$ —	$ 599,903	
Food service	434,433	—	48,716	—	483,149	
Media	—	117,281	1,374	—	118,655	
Amusement	16,207	—	80,300	—	96,507	193,759
Other	88,692	—	1,988	—	90,680	
Total revenues	$ 1,139,235	$ 117,281	$ 132,378	$ —	$ 1,388,894	$ 193,759
Primary geographical markets						
Canada	$ 1,139,235	$ 108,053	$ 132,378	$ —	$ 1,379,666	$ 70,910
United States and other countries	—	9,228	—	—	9,228	122,849
Total revenues	$ 1,139,235	$ 117,281	$ 132,378	$ —	$ 1,388,894	$ 193,759
Timing of revenue recognition						
Transferred at a point in time	$ 1,139,235	$ 12,680	$ 132,378	$ —	$ 1,284,293	$ 193,759
Transferred over time	—	104,601	—	—	104,601	—
Total revenues	$ 1,139,235	$ 117,281	$ 132,378	$ —	$ 1,388,894	$ 193,759
Adjusted EBITDAaL	$ 131,237	$ 65,514	$ 31,714	$ (71,102)	$ 157,363	$ 35,732
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:					(11,449)	(1,180)
Other adjustments (ii)					1,895	(877)
Depreciation and amortization - other assets					88,881	10,680
Interest expense - other					88,445	65
Interest income					(897)	—
Provision for income taxes					(147,563)	(2,069)
Net income from continuing operations and discontinued operations					$ 138,051	$ 29,113
Other operating segment disclosures						
Depreciation - right-of-use assets	$ 80,623	$ 2,091	$ 4,501	$ 442	$ 87,657	$ 2,640
Depreciation and amortization - other assets	$ 65,411	$ 4,983	$ 18,487	$ —	$ 88,881	$ 10,680
Interest expense - lease obligations	$ 59,677	$ 429	$ 5,612	$ 775	$ 66,493	$ 673
Goodwill balance	$ 413,915	$ 206,385	$ —	$ —	$ 620,300	$ 15,618

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

Year ended December 31, 2022	Film Entertainment and Content (i)	Media (i)	Location-Based Entertainment	Corporate and other (iii)	Consolidated Continuing Operations	Discontinued Operations Amusement Solutions (P1AG)
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	—	68,636	—	80,920	165,681
Other	66,127	—	1,448	—	67,575	
Total revenues	$ 881,375	$ 110,674	$ 110,832	$ —	$ 1,102,881	$ 165,681
Primary geographical markets						
Canada	$ 881,375	$ 102,515	$ 110,832	$ —	$ 1,094,722	$ 54,687
United States and other countries	—	8,159	—	—	8,159	110,994
Total revenues	$ 881,375	$ 110,674	$ 110,832	$ —	$ 1,102,881	$ 165,681
Timing of revenue recognition						
Transferred at a point in time	$ 881,375	$ 15,037	$ 110,832	$ —	$ 1,007,244	$ 165,681
Transferred over time	—	95,637	—	—	95,637	—
Total revenues	$ 881,375	$ 110,674	$ 110,832	$ —	$ 1,102,881	$ 165,681
Adjusted EBITDAaL	$ 26,976	$ 60,393	$ 31,294	$ (64,462)	$ 54,201	$ 27,471
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:					(11,199)	(1,464)
Other adjustments (ii)					(54,341)	1,500
Depreciation and amortization - other assets					89,466	15,731
Interest expense - other					60,835	(9)
Interest income					(277)	—
Provision for income taxes					(724)	1,921
(Reversal) impairment of long-lived assets					(19,880)	—
Net (loss) income from continuing operations and discontinued operations					$ (9,679)	$ 9,792
Other operating segment disclosures						
Depreciation - right-of-use assets	$ 86,711	$ 2,803	$ 3,574	$ 424	$ 93,512	$ 2,005
Depreciation and amortization - other assets	$ 66,976	$ 4,916	$ 17,574	$ —	$ 89,466	$ 15,731
Interest expense - lease obligations	$ 54,655	$ 561	$ 5,192	$ 848	$ 61,256	$ 586
Goodwill balance	$ 413,915	$ 206,385	$ —	$ —	$ 620,300	$ 15,834

(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 on disposal of assets, CDCP equity income, 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. 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 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, 2023, Cineplex earned revenue of $526 for these services (2022 - $602).

Cineplex incurred marketing expenses related to Scene+ point issuances from Scene LP in the amount of $24,904 for the year ended December 31, 2023 (2022 - $16,933).

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

Compensation of key management

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

	2023	2022
Salaries and short-term employee benefits	$ 4,553	$ 4,072
Post-employment benefits	113	111
Share-based compensation	2,827	2,795
	$ 7,493	$ 6,978

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

24. Changes in operating assets and liabilities

The following summarizes the changes in operating assets and liabilities:

	Year ended December 31,	
	2023	**2022**
		(Revised - Note 2)
Trade and other receivables	$ 16,451	$ (30,339)
Inventories	(311)	(1,904)
Prepaid expenses and other current assets	253	(2,234)
Accounts payable and accrued liabilities	(7,792)	38,725
Income taxes receivable	(759)	(19)
Deferred revenue	(19,718)	(29,658)
Post-employment benefit obligations	(24)	(691)
Share-based compensation	696	(1,416)
Other liabilities	(148)	(1,050)
	$ (11,352)	$ (28,586)

Property, equipment and leasehold purchases included in accounts payable and accrued liabilities as at December 31, 2023, are $9,991 (2022 - $10,523).

25. Commitments and contingencies

Commitments

As of December 31, 2023, Cineplex has aggregate capital commitments as follows:

Capital commitments for operating locations to be completed or renovated during 2024	$ 51,408

Contingencies

Competition Bureau's Allegation that Cineplex's Online Booking Fee Constitutes Misleading Advertising and Drip Pricing

On May 18, 2023, the Competition Bureau filed a Notice of Application, commencing legal action against Cineplex, alleging that Cineplex's online booking fee is misleading and constitutes "drip pricing".

The Notice of Application lists various grounds of relief including an administrative penalty and an order requiring the return of online booking fee sums in an amount to be determined. The Notice of Application does not specify a figure or quantum of damages sought. On a finding of contravention, the *Competition Act* provides for a wide range of amounts regarding administrative monetary penalties, some of which could be material.

Cineplex strongly denies the allegations and believes that they are without merit. Cineplex believes that the online booking fee fully complies with the letter and spirit of the law. Cineplex filed its response to the Notice of

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

Application on June 30, 2023 and the Competition Bureau filed its reply on July 14, 2023. The parties are in the process of conducting the various steps necessary for this matter to be heard by the Competition Tribunal in the first quarter of 2024. Cineplex believes that this matter will not have a material adverse effect on its operating results, financial position, or cash flows. No amount has been accrued in Cineplex's consolidated financial statements, and online booking fee revenue continues to be recognized. Cineplex has recognized approximately $39,000 in online booking fee revenues since inception through December 31, 2023.

Cineworld

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.

26. Financial instruments

Fair value of financial instruments

The carrying value and fair value of Cineplex's financial instruments at December 31, 2023 and 2022 are as follows:

		2023		2022	
Liability (Asset)	**Input level**	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
Convertible debentures	1	339,268	315,618	318,878	303,600
Notes payable	2	246,970	252,264	245,810	247,188
Credit Facility	2	298,000	298,000	327,000	327,000
Other liabilities - equipment liabilities	2	413	413	1,095	1,095
Interest rate swap agreements, net	2	(4,326)	(4,326)	(11,419)	(11,419)
Deferred consideration - AMC	2	3,134	3,134	3,134	3,134
Embedded derivative on notes payable	2	5,590	5,590	2,980	2,980

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.

The Credit Facility bank debt is considered a Level 2 fair value measurement. The carrying value of the Credit Facility 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, 6.7%. 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 an economic hedge of the floating interest rate payable on Cineplex's first $150,000 of borrowings ($450,000 until November 14, 2023). 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, 2023.

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

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

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 28, 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, 2023 and 2022:

		2023		**2022**
Trade receivables carrying value	$	85,073	$	84,220
Percentage past due		20%		25%
Percentage outstanding more than 120 days		2%		4%

The following schedule reflects the changes in the expected credit loss for trade receivables during the years ended December 31, 2023 and 2022:

		2023		**2022**
Expected credit loss for trade receivables - Beginning of year	$	907	$	1,230
Expected credit loss (reversed) or recorded		(182)		(296)
Amounts written off		(314)		(27)
Reclassified to held for sale		58		—
Expected credit loss for trade receivables - End of year	$	469	$	907

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:

					2023
					Payments due by period
Contractual obligations	**Total**	**Within 1 year**	**2 - 3 years**	**4 - 5 years**	**After 5 years**
Accounts payable and accrued liabilities	$ 172,482	$ 172,482	$ —	$ —	$ —
Credit Facility	298,000	—	298,000	—	—
Interest on Credit Facility	31,409	16,831	14,578	—	—
Equipment obligations	413	160	253	—	—
Deferred consideration - AMC	3,134	—	3,134	—	—
Convertible debentures	316,250	—	316,250	—	—
Convertible debentures interest	31,785	18,184	13,601	—	—
Notes payable	250,000	—	250,000	—	—
Notes payable interest	40,454	18,750	21,704	—	—
Total contractual obligations	$1,143,927	$ 226,407	$ 917,520	$ —	$ —

					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	$ —

Existing lease commitments are disclosed in note 14, Lease obligations. Cineplex also has significant new theatre and other capital commitments (note 25, 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. 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, 2023 would have increased other comprehensive income by $3,665 and increased net income by $848. An assumed decrease of 10% in exchange rates at December 31, 2023 would have decreased other comprehensive income by $3,855 and decreased net income by $848.

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, 2023, Cineplex recorded non-cash interest expense of $6,337 relating its interest rate swaps (2022 - interest income of $22,072).

(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, 2023 and 2022 of a 1% change in interest rates management believes is reasonably possible:

				2023
			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	$	298,000	$ 3,434	$ (3,434)
Interest rate swap agreements - net		(4,326)	(2,483)	2,639
			$ 951	$ (795)

				2022
			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	$	327,000	$ 3,351	$ (3,351)
Interest rate swap agreements - net		(11,419)	(5,944)	6,398
			$ (2,593)	$ 3,047

The carrying value of the interest rate swaps asset was $4,326 at December 31, 2023. If interest rates changed plus or minus 1% from existing estimates throughout the contract period, the carrying value would increase to $6,965 or decrease to $1,843, primarily affecting interest expense.

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

27. 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.

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 3.25 to 1, and will be reduced to 3.00 to 1 beginning the first quarter of 2024. The addition of a Senior Leverage Ratio set at 1.0x lower than the Total Leverage Ratio was included as part of the third amendment to the credit agreement. Growth capital expenditures will be permitted subject to a pro forma Total Leverage covenant of 2.75 to 1, both prior to and immediately after giving effect to any such growth capital expenditures.

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

Objectives and strategies are reviewed periodically by management. During 2021, Cineplex completed the offering of Notes Payable for $250,000 aggregate principal amount and repaid its Term Facility in full. In 2022 and 2021, Cineplex's capital composition, objectives or strategies all changed in response to the substantial business challenges of COVID-19. In 2024, Cineplex is focused on reducing debt balance through the application of proceeds from the sale of P1AG, extending maturities, removing restrictions, and modifying the relative composition of its long-term debt, convertible debentures, and notes payable.

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

28. Material accounting policies, judgments and estimation uncertainty

Material accounting policies

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

Basis of preparation and measurement

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

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

Reportable operating segments

Cineplex is comprised of three reportable operating segments, Film Entertainment and Content, Media, and Location-Based Entertainment. The reportable segments are business units offering differing products and services. Details of Cineplex's three 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.

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

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 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.

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

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 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, 2023.

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.

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

Subsidiaries

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

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

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

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.

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 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.

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. 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.

Until January 31, 2024, Cineplex (through P1AG) operated 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 license 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. During the second quarter of 2023, Cineplex assessed the recoverability of net deferred income tax assets and determined that the expected return to profitability provided a reasonable expectation that previously derecognized net deferred income tax assets will be utilized to offset future periods of taxable income, resulting in income tax recovery of approximately $150,225 in the second quarter of 2023. 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 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.

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

g) Lease terms

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.

IFRS 5, Non-current assets held for sale and discontinued operations

Cineplex has met the criteria of recording Player One Amusement Group as a discontinued operation under IFRS 5, *Non-current assets held for sale and discontinued operations.* Therefore, effective with the quarter ended December 31, 2023, Player One Amusement Group's financial performance and cash flows are presented in these unaudited interim condensed consolidated financial statements as discontinued operations on a retroactive basis. Additional disclosures regarding presentation of financials for the three months and year ended December 31, 2023 and 2022 are provided in note 2, Assets held for sale and discontinued operations.

As per IFRS 5, non-current assets and disposal groups should be classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use, and measured at the lower of their carrying amount and fair value less costs to sell and are no longer depreciated or amortized. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification are regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Assets and liabilities classified as held for sale are presented separately as current items on the consolidated balance sheet. A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale and:

- represents a separate major line of business or geographical area of operations,
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or
- is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as after tax profit or loss from discontinued operations in the consolidated statement of operations and comparative periods have been restated.

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.

The following amendments have been adopted by Cineplex without material effect:

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

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

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. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. Cineplex has determined that the changes have no material impact on Cineplex's consolidated financial statements.

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. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. Cineplex has determined that the changes have no material impact on Cineplex's consolidated financial statements.

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

In December 2020 the IASB issued 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. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. Cineplex has determined that the changes have no material impact on Cineplex's consolidated financial statement presentation, and is evaluating disclosures.

29. Subsequent events

P1AG Sale

On February 1, 2024, Cineplex closed the sale of 100% of the issued and outstanding shares of P1AG for cash proceeds of $155,000, subject to customary post-closing adjustments. Cineplex expects to recognize a material gain in the first quarter of 2024. The proceeds of the sale were used to repay bank debt. Refer to note 2, Assets held for sale and discontinued operations for further discussion.

Class Action Lawsuits

On January 23, 2024, two separate class-action lawsuits were filed against Cineplex in British Columbia and Quebec. Similar to the above noted allegations from the Competition Bureau, the lawsuits allege that Cineplex's online booking fees are misleading and constitute "drip pricing" in contravention of Canada's *Competition Act*. The two class-actions seek to include all Canadians who purchased a Cineplex movie ticket and were charged an online booking fee. The quantum of monetary penalties that may arise from any adverse judgement in the future is not-yet known to Cineplex. Cineplex believes that this matter will not have a material adverse effect on its operating results, financial position, or cash flows.