Cineplex Inc.

Interim Condensed Consolidated Balance Sheets
(Unaudited)

(expressed in thousands of Canadian dollars)

	September 30, 2021	December 31, 2020
Assets		
Current assets		
Cash and cash equivalents	$ 28,471	$ 16,254
Trade and other receivables	45,955	51,834
Income taxes receivable	2,034	66,551
Inventories	25,194	21,712
Prepaid expenses and other current assets	13,023	11,613
	114,677	167,964
Non-current assets		
Property, equipment and leaseholds (note 3)	479,020	555,340
Right-of-use assets (note 3 and 4)	787,427	881,418
Interests in joint ventures and associates	4,751	8,644
Intangible assets	83,563	84,922
Goodwill (note 3)	635,588	635,582
Derivative financial instrument (note 7)	3,820	—
	$ 2,108,846	$ 2,333,870

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

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

Cineplex Inc.

Interim Condensed Consolidated Balance Sheets...*continued*
(Unaudited)

(expressed in thousands of Canadian dollars)

	September 30, 2021	December 31, 2020
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 130,132	$ 82,992
Share-based compensation (note 6)	778	482
Income taxes payable	1,938	802
Deferred revenue (note 8)	217,970	219,983
Lease obligations (note 9)	105,711	97,259
Fair value of interest rate swap agreements	9,191	7,202
	465,720	408,720
Non-current liabilities		
Share-based compensation (note 6)	4,638	2,670
Long-term debt (note 7)	734,046	725,271
Fair value of interest rate swap agreements	10,298	19,157
Lease obligations (note 9)	1,015,294	1,073,666
Post-employment benefit obligations	10,659	11,503
Other liabilities	67,945	68,649
	1,842,880	1,900,916
Total liabilities	2,308,600	2,309,636
Shareholders' (deficit) equity		
Share capital (note 10)	852,456	852,379
Deficit	(1,130,338)	(903,394)
Hedging reserves and other	(131)	(131)
Contributed surplus	78,808	75,882
Cumulative translation adjustment	(549)	(502)
Total shareholders' (deficit) equity	(199,754)	24,234
	$ 2,108,846	$ 2,333,870

Approved by the Board of Directors

"Phyllis Yaffe"
Director

"Janice Fukakusa"
Director

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

Cineplex Inc.

Interim Condensed Consolidated Statements of Operations
(Unaudited)

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

	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Revenues (note 8)				
Box office	$ 94,114	$ 14,531	$ 110,430	$ 125,560
Food service	79,971	15,468	99,754	98,089
Media	14,060	12,825	32,535	52,862
Amusement	53,319	13,236	89,377	64,304
Other	8,916	4,962	24,622	24,996
	250,380	61,022	356,718	365,811
Expenses				
Film cost	45,838	7,261	52,684	63,771
Cost of food service	16,362	3,680	20,641	26,678
Depreciation - right-of-use assets	25,151	30,539	77,206	100,257
Depreciation and amortization - other assets	28,297	30,375	85,541	96,096
Loss (gain) on disposal of assets	22	(14,113)	(29,859)	(12,818)
Other costs (note 11)	139,527	78,754	281,584	298,477
Share of (income) loss of joint ventures and associates	(930)	2,137	2,536	6,064
Interest expense - lease obligations	14,842	11,854	43,942	34,885
Interest expense - other	17,990	15,503	49,554	42,108
Interest income	(68)	(20)	(202)	(149)
Foreign exchange	(529)	166	66	(702)
Change in fair value of financial instruments	(2,570)	—	(3,370)	—
Impairment of long-lived assets and goodwill (notes 3)	—	65,634	—	238,688
	283,932	231,770	580,323	893,355
Loss from continuing operations before income taxes	(33,552)	(170,748)	(223,605)	(527,544)
Provision for income taxes (note 5)				
Current	—	146	3,339	(7,719)
Deferred	—	(49,685)	—	(126,227)
	—	(49,539)	3,339	(133,946)
Net loss from continuing operations	$ (33,552)	$ (121,209)	$ (226,944)	$ (393,598)
Net loss from discontinued operations, net of taxes (note 16)	—	—	—	(4,952)
Net loss	$ (33,552)	$ (121,209)	$ (226,944)	$ (398,550)
Net loss from continuing operations attributable to:				
Owners of Cineplex	(33,552)	(121,209)	$ (226,944)	$ (393,593)
Non-controlling interests	—	—	—	(5)
Net loss from continuing operations	$ (33,552)	$ (121,209)	$ (226,944)	$ (393,598)
Net loss attributable to:				
Owners of Cineplex	$ (33,552)	$ (121,209)	$ (226,944)	$ (398,545)
Non-controlling interests	—	—	—	(5)
Net loss	$ (33,552)	$ (121,209)	$ (226,944)	$ (398,550)
Net loss per share attributable to owners of Cineplex - basic and diluted:				
Continuing operations (note 12)	$ (0.53)	$ (1.91)	$ (3.58)	$ (6.21)
Discontinued operations (notes 12 and 16)	—	—	—	(0.08)
Total operations	$ (0.53)	$ (1.91)	$ (3.58)	$ (6.29)

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

Cineplex Inc.

Interim Condensed Consolidated Statements of Comprehensive Loss
(Unaudited)

(expressed in thousands of Canadian dollars)

	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Net loss from continuing operations	$ (33,552)	$ (121,209)	$ (226,944)	$ (393,598)
Other comprehensive income (loss) from continuing operations				
Items that will be reclassified subsequently to net income:				
Foreign currency translation adjustment	861	(1,145)	(47)	2,240
Recognition of currency translation adjustment on disposition of discontinued operations (note 16)	—	—	—	(160)
Other comprehensive income (loss) from continuing operations	861	(1,145)	(47)	2,080
Comprehensive loss from continuing operations	(32,691)	(122,354)	(226,991)	(391,518)
Net loss from discontinued operations, net of taxes (note 16)	—	—	—	(4,952)
Foreign currency translation adjustment from discontinued operations	—	—	—	7
Comprehensive loss	$ (32,691)	$ (122,354)	$ (226,991)	$ (396,463)
Comprehensive loss from continuing operations attributable to:				
Owners of Cineplex	$ (32,691)	$ (122,354)	$ (226,991)	$ (391,513)
Non-controlling interests	—	—	—	(5)
	$ (32,691)	$ (122,354)	$ (226,991)	$ (391,518)
Comprehensive loss attributable to:				
Owners of Cineplex	$ (32,691)	$ (122,354)	$ (226,991)	$ (396,458)
Non-controlling interests	—	—	—	(5)
	$ (32,691)	$ (122,354)	$ (226,991)	$ (396,463)

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

Cineplex Inc.

Interim Condensed Consolidated Statements of Changes in Equity
(Unaudited)

(expressed in thousands of Canadian dollars)

	Share capital	Contributed surplus	Hedging reserves and other	Cumulative translation adjustment	Deficit	Non-controlling interests	Total
January 1, 2021	$ 852,379	$ 75,882	$ (131)	$ (502)	$ (903,394)	$ —	$ 24,234
Net loss	—	—	—	—	(226,944)	—	(226,944)
Other comprehensive loss (page 4)	—	—	—	(47)	—	—	(47)
Total comprehensive loss	**—**	**—**	**—**	**(47)**	**(226,944)**	**—**	**(226,991)**
Share option expense	—	1,380	—	—	—	—	1,380
PSU/RSU expense	—	1,683	—	—	—	—	1,683
Settlement for cancelled options	—	(60)	—	—	—	—	(60)
Issuance of shares on exercise of options	77	(77)	—	—	—	—	—
September 30, 2021	$ 852,456	$ 78,808	$ (131)	$ (549)	$ (1,130,338)	$ —	$ (199,754)
January 1, 2020	$ 852,379	$ 4,052	$ (131)	$ (887)	$ (264,310)	$ (109)	$ 590,994
Net loss	—	—	—	—	(398,545)	(5)	(398,550)
Other comprehensive income (page 4)	—	—	—	2,247	(160)	—	2,087
Total comprehensive loss	**—**	**—**	**—**	**2,247**	**(398,705)**	**(5)**	**(396,463)**
Dividends declared	—	—	—	—	(9,500)	—	(9,500)
Share option expense	—	548	—	—	—	—	548
Conversion to equity-settled option plan	—	3,944	—	—	—	—	3,944
Non-controlling interests acquired	—	—	—	—	(114)	114	—
Issuance of convertible debentures	—	66,800	—	—	—	—	66,800
September 30, 2020	$ 852,379	$ 75,343	$ (131)	$ 1,360	$ (672,629)	$ —	$ 256,322

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

Cineplex Inc.

Interim Condensed Consolidated Statements of Cash Flows
(Unaudited)

(expressed in thousands of Canadian dollars)

	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Cash provided by (used in)				
Operating activities				
Net loss from continuing operations	$ (33,552)	$ (121,209)	$ (226,944)	$ (393,598)
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation and amortization - other assets	28,297	30,375	85,541	96,096
Depreciation - right-of-use assets	25,151	30,539	77,206	100,257
Unrealized foreign exchange	(479)	245	(23)	(445)
Interest rate swap agreements - non-cash interest	(2,071)	118	(7,448)	11,413
Accretion of convertible debentures and notes payable	4,050	4,043	11,809	4,043
Other non-cash interest	188	351	812	1,028
Loss (gain) on disposal of assets	22	(14,113)	(29,859)	(12,818)
Deferred income taxes (note 5)	—	(49,685)	—	(126,227)
Non-cash share-based compensation	1,246	273	3,064	4,377
Change in fair value of financial instruments	(2,570)	—	(3,370)	—
Impairment of long-lived assets, goodwill and investments (note 3)	—	65,634	—	238,688
Net change in interests in joint ventures and associates	(899)	1,765	3,893	7,834
Changes in operating assets and liabilities (note 13)	32,640	(34,894)	118,843	24,079
Net cash provided by (used in) operating activities	52,023	(86,558)	33,524	(45,273)
Investing activities				
Proceeds from disposal of assets, net	3,231	21,000	63,147	21,050
Purchases of property, equipment and leaseholds	(4,834)	(11,498)	(18,575)	(63,442)
Intangible assets additions	(2,130)	(1,418)	(7,208)	(6,899)
Tenant inducements	1,359	3,300	7,024	21,599
Net cash received from CDCP	—	—	—	3,910
Net cash (used in) provided by investing activities	(2,374)	11,384	44,388	(23,782)
Financing activities				
Dividends paid	—	—	—	(19,000)
Repayments under credit facilities, net (note 7)	(26,000)	(204,000)	(247,000)	(165,000)
Repayments of lease obligations - principal	(24,191)	(24,811)	(62,734)	(59,623)
Issuance of convertible debentures, net	—	303,063	—	303,063
Issuance of notes payable, net (note 7)	—	—	243,996	—
Financing fees	—	—	(321)	(800)
Net cash (used in) provided by financing activities	(50,191)	74,252	(66,059)	58,640
Effect of exchange rate differences on cash	(189)	292	364	(98)
(Decrease) increase in cash and cash equivalents from continuing operations	(731)	(630)	12,217	(10,513)
Cash flows used in discontinued operations (note 16)	—	—	—	(2,391)
Cash and cash equivalents - Beginning of period	29,202	13,806	16,254	26,080
Cash and cash equivalents - End of period	$ 28,471	$ 13,176	$ 28,471	$ 13,176
Supplemental information				
Cash paid for interest - lease obligation	$ 15,355	$ 7,647	$ 42,127	$ 19,168
Cash paid for interest - other	$ 2,833	$ 9,169	$ 24,345	$ 20,612
Cash received for income taxes, net	$ (8,814)	$ (3,658)	$ (62,329)	$ (15,173)

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

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

1. General information

Cineplex Inc. ("Cineplex") an Ontario, Canada corporation, is one of Canada's largest entertainment organizations, with theatres and location-based entertainment venues in ten provinces. Cineplex also operates businesses in digital commerce, cinema media, digital place-based media and amusement solutions through its wholly owned subsidiaries, Cineplex Entertainment Limited Partnership (the "Partnership"), Famous Players Limited Partnership ("Famous Players"), Galaxy Entertainment Inc. ("GEI"), Cineplex Digital Media Inc. ("CDM"), and Player One Amusement Group Inc. ("P1AG"). Cineplex is headquartered at 1303 Yonge Street, Toronto, Ontario, M4T 2Y9.

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

On June 12, 2020, Cineworld delivered a notice (the "Termination Notice") to Cineplex purporting to terminate the Arrangement Agreement. In the Termination Notice, Cineworld alleged that Cineplex took certain actions that constituted breaches of Cineplex's covenants under the Arrangement Agreement including failing to operate its business in the ordinary course. In addition, Cineworld alleged that a material adverse effect had occurred with respect to Cineplex. Cineworld's repudiation of the Arrangement Agreement has been acknowledged by Cineplex and the Cineworld Transaction will not proceed. Cineplex vigorously denies Cineworld's allegations. The Arrangement Agreement explicitly excludes any "outbreaks of illness or other acts of God" from the definition of material adverse effect and all of Cineworld's allegations stem from an outbreak of illness and act of God (COVID-19). Cineplex believes that Cineworld had no legal basis to terminate the Arrangement Agreement and that Cineworld breached the Arrangement Agreement and its other contractual obligations because, among other failures, it did not use reasonable best efforts to obtain approval under the *Investment Canada Act* as soon as reasonably practicable ("ICA Approval"). If Cineworld had complied with its obligation to obtain ICA Approval, Cineplex believes the ICA Approval would have been obtained and the Cineworld Transaction would have closed well before the outside date for completion in the Arrangement Agreement. No amounts are due to be paid by Cineplex as a result of the Termination Notice and no amounts have been accrued in the financial statements with respect to the Termination Notice.

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

Cineplex claims that Cineworld breached its contractual obligations and its duty of good faith and honesty in contractual performance. Cineworld purports to rely upon alleged adverse impacts of COVID-19 on Cineplex's business to terminate the Arrangement Agreement, which it is not entitled to do. The contractual agreements between the parties expressly exclude outbreaks of illness, such as the COVID-19 pandemic, as a circumstance entitling Cineworld to terminate the Arrangement Agreement. Without any legal right to avoid its contractual obligations, Cineworld intentionally chose to breach its obligations, including its obligation to obtain ICA Approval.

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

On July 6, 2020, Cineworld announced that it would defend Cineplex's claim, and on September 2, 2020, filed its Statement of Defence and Counterclaim in which it denied Cineplex's claims and advanced a counterclaim seeking reimbursement of an unspecified amount for costs incurred with respect to the transaction and an unspecified amount for punitive damages. Cineplex responded to Cineworld's defence and counterclaim on September 15, 2020, denying all claims levied by Cineworld. On February 23, 2021, Cineworld amended its Statement of Defence and Counterclaim to add additional allegations that Cineplex had breached the Arrangement Agreement. Cineplex delivered an Amended Reply and Defence to Counterclaim on March 9, 2021 denying all of Cineworld's additional allegations.

The trial against Cineworld, which proceeded before a judge of the Ontario Superior Court of Justice (Commercial List), began on September 13, 2021 and closing arguments were completed on November 3, 2021.

Due to uncertainties inherent in litigation, it is not possible for Cineplex to predict the timing of the decision in the trial or the final outcome of the legal proceedings against Cineworld or to determine the amount of damages, if any, that may be awarded. Further, even if Cineplex's action against Cineworld is successful, Cineworld may not have the ability to pay the full amount of any damages awarded.

The Board of Directors approved these consolidated financial statements on November 10, 2021.

2. COVID-19 business impacts, risks and liquidity

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

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

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

Liquidity measures:

- June 2020: entered into the First Credit Agreement Amendment with The Bank of Nova Scotia as administrative agent to Cineplex's seventh amended and restated credit agreement (as amended, the "Credit Facilities") providing certain financial covenant relief in light of the COVID-19 pandemic and its impact on Cineplex's business (note 7, Long-term debt);
- July 2020: issued convertible unsecured subordinated debentures (the "Debentures") for net proceeds of $303,000, (note 7, Long-term debt);

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

- November 2020: entered into the Second Credit Agreement Amendment providing further financial covenant relief (note 7, Long-term debt);
- December 2020: entered into an agreement to enhance and expand the SCENE Scotiabank loyalty program receiving $60,000 with respect to the reorganization;
- January 2021: completed the sale and leaseback of Cineplex's head office buildings located at 1303 Yonge Street and 1257 Yonge Street, Toronto, Ontario for gross proceeds of $57,000, (note 7, Long-term debt);
- January 2021: filed tax returns for the 2020 taxation year claiming a $62,624 recovery of income taxes paid in prior periods (all of which have been received as of September 30, 2021);
- February 2021: entered into the Third Credit Agreement Amendment providing further financial covenant relief (note 7, Long-term debt); and
- February 2021: issued 7.50% senior secured second lien notes due February 26, 2026 (the "Notes Payable") for net proceeds of $243,266, (note 7, Long-term debt).

Cost reduction and subsidy measures:

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

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

Although the lifting of some restrictions on the theatre and LBE businesses commenced near the end of the second quarter of 2021 and continued subsequently after the third quarter of 2021, the uncertainty of future government-imposed restrictions, and the potential long-term effect that the COVID-19 pandemic may have on Cineplex's businesses, COVID-19 may continue to have a prolonged material negative impact on Cineplex's operations.

Canada's vaccination rate has made tremendous progress during the year with a high percentage of the eligible population receiving at least one dose of a COVID-19 vaccine and an increasing number having received two doses.

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

In order to control the spread of COVID-19, the majority of provinces across Canada require proof of vaccination as part of the reopening plans in select settings including those that operate indoors with close proximity of patrons.

On July 16, 2021, Cineplex reopened its theatres in Ontario which represents 44% of screens. With the loosening of restrictions and reopening of theatres at the beginning of the quarter, Cineplex was able to benefit from the release of highly anticipated theatrical releases during the third quarter of 2021. Despite mandatory capacity restrictions that continue to be enforced where and as applicable, Cineplex recognized a significant increase in revenues during the third quarter, the highest since the pandemic was declared in early 2020. Cineplex will continue to monitor capacity restrictions and will adjust operating levels in accordance with government directives. Cineplex is optimistic that all of its businesses will recover over time, believing that consumer demand for the theatrical experience, combined with a backlog of anticipated releases of strong film content will help drive visitation, as was evidenced by strong post-reopening box office and food services revenues recognized during the third quarter of 2021.

Management continues to pursue all viable options to maintain adequate liquidity to fund operations for the currently anticipated duration of the pandemic. This includes but is not limited to asset sales such as Cineplex's head office buildings in Toronto which was completed during the first quarter, the issuance of Notes Payable (note 7, Long-term debt), amendments to its existing Credit Facilities (note 7, Long-term debt), and the sale of certain lease rights which was undertaken during 2021 in exchange for gross proceeds of $6,436. The proceeds received were primarily used to repay Cineplex's existing Credit Facilities and fund continuing operations.

As at September 30, 2021, Cineplex had a cash balance of $28,471 and $271,700 available under its Revolving Facility subject to the liquidity covenants set forth in the Credit Facilities as amended (note 7, Long-term debt). Combined with the continued focus on reducing costs and capital expenditures, management believes that it has adequate liquidity to fund operations for the currently anticipated duration of the pandemic in the regions in which Cineplex operates.

3. Impairment of long-lived assets and goodwill

Cineplex generally performs its annual test for impairment of goodwill and indefinite-lived intangible assets in the fourth quarter, in accordance with the policy described in its annual consolidated financial statements. 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.

On September 30, 2021, Cineplex reassessed the underlying key assumptions and inputs used during the impairment testing completed at December 31, 2020 and determined that there were no material changes in those key judgements and conclusions.

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

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

As a result of the triggering events, Cineplex performed impairment testing and recognized non-cash impairment charges in each of the three months ended March 31, September 30, and December 31, 2020 as follows:

	2020			
	Q1	Q3	Q4	Total
Impairment of property, equipment and leaseholds	$ 33,949	$ —	$ 5,243	$ 39,192
Impairment of right-of-use assets	50,610	—	21,236	71,846
Impairment of goodwill	88,495	65,634	26,906	181,035
Impairment of investments	—	—	2,790	2,790
Impairment of long-lived assets, goodwill and investments	$ 173,054	$ 65,634	$ 56,175	$ 294,863

In assessing long-lived assets and goodwill for impairment, Cineplex compared the aggregate recoverable amount of the assets included in the relevant Cash Generating Units ("CGUs") to their respective carrying amounts. The recoverable amount was determined based on the fair value less costs of disposal of the groups CGUs.

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.

Impairment of long-lived assets and goodwill for the nine months ended September 30, 2021 and 2020 were as follows:

	2021	2020
Impairment of property, equipment and leaseholds	$ —	$ 33,949
Impairment of right-of-use assets	—	50,610
Impairment of goodwill	—	154,129
Impairment of long-lived assets and goodwill	$ —	$ 238,688

If the return to more regular business volumes continues to be delayed for longer than currently anticipated as a result of actions outside of the control of management, including but not limited to additional changes to the film slate release schedule, ongoing government restrictions and future impacts of COVID-19, management's estimates of operating results and further cash flows for the forecasted period may be negatively impacted. As a result, cash flows may be insufficient to support the recoverability of goodwill and long lived assets in certain CGUs, thus requiring further impairment charges. Cineplex will continue to evaluate the recoverability of goodwill at the cash generating unit level on an annual basis during its fourth quarter and whenever events or changes in circumstances indicate there may be a potential impairment.

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

4. Right-of-use assets

The following table presents right-of-use assets for Cineplex for the nine months ended September 30, 2021 and 2020:

Right-of-use assets consists of:

	Property	Equipment	Total
At September 30, 2021			
Cost	$ 1,112,100	$ 19,411	$ 1,131,511
Accumulated depreciation	(331,629)	(12,455)	(344,084)
Net book value	$ 780,471	$ 6,956	$ 787,427
Nine months ended September 30, 2021			
Balance - December 31, 2020	$ 871,741	$ 9,677	$ 881,418
Modifications, net of additions	(17,553)	662	(16,891)
Disposals	129	—	129
Foreign exchange rate changes	(23)	—	(23)
Depreciation for the period	(73,823)	(3,383)	(77,206)
Closing net book value	$ 780,471	$ 6,956	$ 787,427

	Property	Equipment	Total
At September 30, 2020			
Cost	$ 1,187,584	$ 19,821	$ 1,207,405
Accumulated depreciation	(235,480)	(8,865)	(244,345)
Net book value	$ 952,104	$ 10,956	$ 963,060
Nine months ended September 30, 2020			
Balance - December 31, 2019	$ 1,218,054	$ 14,795	$ 1,232,849
Modifications, net of additions	(112,100)	(4)	(112,104)
Disposals	(7,191)	—	(7,191)
Foreign exchange rate changes	369	4	373
Depreciation for the period	(96,418)	(3,839)	(100,257)
Impairment (note 3)	(50,610)	—	(50,610)
Closing net book value	$ 952,104	$ 10,956	$ 963,060

Starting with the second quarter of 2020, Cineplex agreed to a variety of arrangements with landlords to reduce or defer payments. The effect of those abatements, reductions and/or deferrals reduced both lease obligations and right-of-use assets by approximately $4,037 and $119,692 for the three months ended September 30, 2021 and 2020, and $31,849 and $120,232 for the nine months ended September 30, 2021 and 2020.

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

5. 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:

	September 30, 2021	December 31, 2020
Deferred income tax assets		
Property, equipment and leaseholds and deferred tenant inducements - difference between net carrying value and undepreciated capital cost	$ 12,084	$ 12,494
Accounting provisions not currently deductible	93,455	83,900
Deferred revenue	16,025	16,243
Interest rate swap agreements	4,996	6,943
Income tax credits available	3,789	397
Operating losses available for carry-forward	78,796	24,656
Total gross deferred income tax assets	209,145	144,633
Future deferred tax liabilities		
Intangible assets	(10,028)	(10,151)
Goodwill	(29,279)	(27,841)
Other	7,188	4,892
Convertible debentures	(23,961)	(24,464)
Total gross deferred income tax liabilities	(56,080)	(57,564)
Net deferred income tax recognized	$ —	$ —

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

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

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

By Notice of Reassessment ("NOR") dated January 22, 2019, the Canada Revenue Agency ("CRA"), disallowed the deduction of $26,600 of losses of AMC Ventures Inc. ("AMC") that Cineplex had obtained on the acquisition of AMC in 2012. The disallowance of the losses, which offset taxable income generated in 2014, increased taxes and interest payable by approximately $8,600, 50% of which was required to be paid immediately (interest continues to accrue on the unpaid amount). Cineplex disagrees with the CRA's position, and has 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 appeals process is continuing and Cineplex believes that it should prevail in defending its original filing position, although no assurance can be given in this regard as the appeal process proceeds.

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

6. Share-based compensation

Omnibus 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 1,756,834 provided that no more than 1,200,000 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.

Stock Options

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

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

Cineplex recognized employee benefits expense of $536 and $1,380 with respect to the options during the three and nine months ended September 30, 2021 (2020 expense of $273 and $1,921, respectively). At September 30, 2021, $nil associated with options is reflected in current share-based compensation liability on the consolidated balance sheets (2020 - $113). In the first quarter of 2021, 165,146 stock options issued under the Legacy Plan were cancelled for total consideration of $60 as part of a voluntary stock option cancellation program that was initiated in the fourth quarter of 2020.

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

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

	2021
Number of options granted	459,501
Share price	$12.41-$12.87
Exercise price	$12.41-$12.87
Expected option life (years)	4.00
Volatility	47 %
Dividend yield	—
Annual risk-free rate	0.68%-0.72%
Fair value of options granted	$3.70-$3.83

Upon cashless exercises, the options exercised in excess of Shares issued are cancelled and returned to the pool available for future grants. At September 30, 2021, 1,711,033 options are available for grant.

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

		2021		**2020**	
	Weighted average remaining contractual life (years)	**Number of underlying shares**	**Weighted average exercise price**	**Number of underlying shares**	**Weighted average exercise price**
Options outstanding, January 1	7.64	2,042,019	$ 25.37	3,123,521	$ 38.62
Granted		459,501	12.69	725,758	8.25
Cancelled		(188,303)	43.90	—	—
Exercised		(24,220)	8.25	—	—
Forfeited		(67,280)	17.32	(237,703)	35.40
Options outstanding, September 30	7.67	2,221,717	$ 21.60	3,611,576	$ 32.72
Options vested and exercisable		940,935		2,075,242	

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

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

RSU and PSU awards

The grants of Share equivalents were as follows:

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

During the nine month period ended September 30, 2021, Cineplex issued 262,487 equity settled RSUs with a fair value $12.87 per unit (total fair value of $3,378 on issuance) and 167,546 equity settled PSUs with a fair value of $12.87 per unit (total fair value of $2,156 on issuance). The fair value was assessed based on Cineplex's closing Share price on the grant date. The RSU and PSU awards issued will vest in the fourth quarter of 2023. Cineplex also issued 53,132 cash settled RSUs during the period with a fair value of $14.95 (total fair value of $794 on issuance). The valuation was assessed based on Cineplex's closing share price on the grant date and will fluctuate in value based on Cineplex's Share price. The RSU awards will vest in the second quarter of 2023.

Compensation expense is recorded based on the number of units expected to vest, the current market price of Cineplex's common 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.

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. Cineplex recognized compensation expense of $747 and $2,057 for the three and nine month period ended September 30, 2021 (2020 - recovery of $(1,592) and $(6,796), respectively) under the Incentive Plan relating to RSU and PSU. At September 30, 2021, $757 (2020 - $1,165) was included in share-based compensation liability, and $2,070 in contributed surplus (2020 - $nil).

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 three month period ended September 30, 2021, Cineplex recognized compensation recovery of $(581) and compensation expense of $1,208 during the nine month period September 30, 2021 (2020 - recovery of $(751) and $(8,556), respectively) associated with the deferred equity units. At September 30, 2021, $4,659 (2020 - $2,529) was included in share-based compensation liability.

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

7. Long-term debt

Long-term debt consists of the following as at September 30, 2021:

	September 30, 2021	December 31, 2020
Credit Facilities	259,000	506,000
Convertible Debentures	230,529	219,271
Notes Payable	244,517	—
Total	$ 734,046	$ 725,271

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

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

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

On June 29, 2020, Cineplex entered into the First Credit Agreement Amendment, following which, on November 12, 2020 Cineplex entered into the Second Credit Agreement Amendment, as described in further detail in the Annual Information Form. Both amendments provided certain financial covenant relief in light of the COVID-19 pandemic and its effects on Cineplex's businesses, while applying additional restrictive covenants and required repayments in certain circumstances.

On February 8, 2021, Cineplex entered into the Third Credit Agreement Amendment, which, among other things, extended the suspension of financial covenant testing for two additional fiscal quarters beyond prior relief and extended the liquidity covenant requirement until December 2021. The following is a summary of the key terms of the Third Credit Agreement Amendment:

- The following amendments to the Credit Facilities became effective upon the completion of the issuance of $250,000 Notes Payable during the first quarter of 2021:
    - The suspension of financial covenant testing was extended until the fourth quarter of 2021. On resumption of financial covenant testing in the fourth quarter of 2021:
        - for the fourth quarter of 2021, testing will be based on an annualized calculation of Adjusted EBITDA (as further adjusted in accordance with the Credit Agreement definitions) based on the actual results for such quarter;

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

- for the quarter ending on March 31, 2022, testing will be based on an annualized calculation of Adjusted EBITDA based on actual results for the fourth quarter of 2021 and the first quarter of 2022 multiplied by 2; and
- for the quarter ending on June 30, 2022, testing will be based on an annualized calculation of Adjusted EBITDA for the fourth quarter of 2021, the first quarter of 2022 and the second of 2022 multiplied by 4/3.

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

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

This summary of the Credit Agreement (as amended) is qualified in its entirety by reference to the provisions of the Credit Agreement (as amended) which contains a complete statement of those terms and conditions. The Credit Agreement and each of the First Credit Agreement Amendment, Second Credit Agreement Amendment and Third Credit Agreement Amendment are available on SEDAR at www.sedar.com.

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

a) a five-year, $541,700 senior secured Revolving Facility; $259,000 that has been drawn; $11,000 reserved and $271,700 remaining available balance.

Convertible debentures

Convertible debentures consist of the following:

	September 30, 2021	December 31, 2020
Face value of convertible debentures outstanding	$ 316,250	$ 316,250
Unaccreted deferred financing fees and discount	(85,721)	(96,979)
Convertible debentures	$ 230,529	$ 219,271

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

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. As September 30 is a federal holiday, interest will be paid on the first business day in October.

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

At the holder's option, the Debentures may be converted into Shares at a conversion price of $10.94 per Share at any time prior to the close of business on the earlier of: (i) five business days prior to the Maturity Date, and (ii) if called for redemption, five business days immediately preceding the dated fixed for redemption of the Debentures, at a conversion price to be determined at the time of pricing. Holders who convert their Debentures into Shares will receive accrued and unpaid interest for the period from the date of the latest Interest Payment Date to the date of conversion. Conversion of outstanding Debentures will result in the issuance of Shares from treasury.

The fair value of the liability component of the Debentures was assessed at inception based on an estimated market discount rate of 14.1% less the pro-rata portion of transaction costs, and will be accreted to the full face value over the term of the Debentures. Cineplex recorded cash interest expense on the Debentures during the quarter and year to date period of $4,558 (2020 - $3,876) and $13,551 (2020 - $3,876), respectively. Cineplex recorded accretion expense during the quarter and year to date period of $3,857 (2020 - $4,043) and $11,259 (2020 - $4,043), respectively, both of which are included as part of the interest expense in the consolidated statement of operations. As at September 30, 2021, Cineplex has $316,250 principal amount of Debentures outstanding. The residual value was allocated to the equity component less the pro-rata portion of transaction costs as prescribed by IFRS 9, *Financial instruments*.

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 is available on SEDAR.

Notes payable

Notes Payable outstanding as of September 30, 2021 are as follows:

		2021
Face value of Notes Payable	$	250,000
Unaccreted deferred financing fees and discount		(5,483)
Notes Payable	$	244,517

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

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.

Cineplex recorded cash interest expense on the Notes Payable during the quarter and year to date period of $4,726 (2020 - $nil) and $11,096 (2020 - $nil), respectively. Cineplex recorded accretion expense during the quarter and year to date period of $217 (2020 - $nil) and $550 (2020 - $nil), respectively, both of which are included as part of interest expense in the consolidated statement of operations. As at September 30, 2021, Cineplex has $250,000 principal amount of Notes Payable outstanding. Cineplex's derivative financial instrument 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 $3,820 as at September 30, 2021 which is presented on the consolidated balance sheets as a Derivative Financial Instrument.

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

8. Revenue

The following tables disclose the changes in deferred revenue for the nine months ended September 30, 2021 and 2020:

	December 31, 2020	Additions	Revenue Recognized	September 30, 2021
Gift cards	$ 164,025	$ 8,709	$ 18,246	$ 154,488
SCENE loyalty program	36,109	25,111	14,876	46,344
Advances and deposits	19,849	11,526	14,237	17,138
	$ 219,983	$ 45,346	$ 47,359	$ 217,970

	December 31, 2019	Additions	Revenue Recognized	September 30, 2020
Gift cards	$ 184,755	$ 19,832	$ 42,116	$ 162,471
SCENE loyalty program	21,277	24,807	13,760	32,324
Advances and deposits	16,966	23,326	15,995	24,297
	$ 222,998	$ 67,965	$ 71,871	$ 219,092

(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 and nine months ended September 30, 2021 and 2020:

Box revenues	**Three months ended September 30, 2021**	**Three months ended September 30, 2020**	**Nine months ended September 30, 2021**	**Nine months ended September 30, 2020**
Box office revenues	$ 94,114	$ 14,531	$ 110,430	$ 125,560

Food service revenues	**Three months ended September 30, 2021**	**Three months ended September 30, 2020**	**Nine months ended September 30, 2021**	**Nine months ended September 30, 2020**
Food service - theatres	$ 70,945	$ 11,519	$ 82,506	$ 84,262
Food delivery - theatres	2,599	2,409	10,053	5,433
Food service - location-based entertainment	6,402	1,479	7,089	8,250
Food delivery - location-based entertainment	25	61	106	144
Total food service revenues	$ 79,971	$ 15,468	$ 99,754	$ 98,089

Media revenues	**Three months ended September 30, 2021**	**Three months ended September 30, 2020**	**Nine months ended September 30, 2021**	**Nine months ended September 30, 2020**
Cinema media	$ 6,640	$ 3,334	$ 10,951	$ 22,200
Digital place-based media	7,420	9,491	21,584	30,662
Total media revenues	$ 14,060	$ 12,825	$ 32,535	$ 52,862

Amusement revenues	**Three months ended September 30, 2021**	**Three months ended September 30, 2020**	**Nine months ended September 30, 2021**	**Nine months ended September 30, 2020**
Amusement solutions excluding exhibition	$ 35,473	$ 9,564	$ 68,478	$ 48,212
Amusement solutions - exhibition	2,709	119	2,980	2,327
Amusement solutions - location based entertainment	15,137	3,553	17,919	13,765
Total amusement revenues	$ 53,319	$ 13,236	$ 89,377	$ 64,304

Other revenues	**Three months ended September 30, 2021**	**Three months ended September 30, 2020**	**Nine months ended September 30, 2021**	**Nine months ended September 30, 2020**
Other revenues	$ 8,916	$ 4,962	$ 24,622	$ 24,996

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

9. Lease obligations

The following table presents lease obligations for Cineplex for the nine months ended September 30, 2021 and 2020:

	Property	Equipment	Total
Nine months ended September 30, 2021			
Opening balance	$ 1,160,849	$ 10,076	$ 1,170,925
Modifications, net of additions	3,600	662	4,262
Tenant inducements	6,580	—	6,580
Lease payments	(101,468)	(3,209)	(104,677)
Interest expense	43,697	245	43,942
Foreign exchange rate changes	(27)	—	(27)
Closing lease obligations	1,113,231	7,774	1,121,005
Less: current portion	102,544	3,167	105,711
Non-current portion of lease obligations	$ 1,010,687	$ 4,607	$ 1,015,294

	Property	Equipment	Total
Nine months ended September 30, 2020			
Opening balance	$ 1,352,541	$ 15,054	$ 1,367,595
Modifications, net of additions	(112,076)	(4)	(112,080)
Tenant inducements	20,073	—	20,073
Lease payments	(74,740)	(4,046)	(78,786)
Interest expense	34,555	331	34,886
Foreign exchange rate changes	365	3	368
Closing lease obligations	$ 1,220,718	$ 11,338	$ 1,232,056
Less: current portion	104,482	4,603	109,085
Non-current portion of lease obligations	$ 1,116,236	$ 6,735	$ 1,122,971

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

10. 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 September 30, 2021 and 2020 and transactions during the periods are as follows:

2021		Amount	
	Number of common shares issued and outstanding	Common shares	Total
Balance - December 31, 2020	63,333,238	$ 852,379	$ 852,379
Issuance of shares on exercise of options	9,875	77	77
Balance - September 30, 2021	63,343,113	$ 852,456	$ 852,456

2020		Amount	
	Number of common shares issued and outstanding	Common shares	Total
Balance - December 31, 2019 and September 30, 2020	63,333,238	$ 852,379	$ 852,379

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

11. Other costs

	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Employee salaries and benefits	$ 48,432	$ 21,672	$ 92,359	$ 86,413
Rent	(1,679)	(165)	(13,575)	282
Realty and occupancy taxes and maintenance fees	16,738	16,157	41,630	54,158
Utilities	6,831	6,251	13,671	19,024
Purchased services	12,511	8,291	25,280	29,750
Other inventories consumed, including amusement and digital place-based media	19,189	7,305	41,921	29,326
Venue revenue share	10,993	3,105	19,419	13,241
Repairs and maintenance	6,896	5,398	15,211	19,229
Advertising and promotion	4,121	2,842	6,922	8,373
Office and operating supplies	2,182	1,191	3,278	5,440
Licenses and franchise fees	3,850	2,092	10,766	11,209
Insurance	1,638	1,401	4,865	4,020
Professional and consulting fees	4,986	1,423	12,769	7,810
Telecommunications and data	1,154	1,088	3,582	3,942
Bad debts	74	145	(61)	1,775
Equipment rental	409	(214)	878	(331)
Other costs	1,202	772	2,669	4,816
	$ 139,527	$ 78,754	$ 281,584	$ 298,477

Until Exhibition and LBE operations were more fully open, management continued to focus on cost cutting measures to mitigate the negative impact of COVID-19 on Cineplex's business, in addition to applying for government subsidy programs where available. During the three and nine months ended September 30, 2021, Cineplex recorded the following subsidies which have all been offset against their related costs:

Subsidies	Third Quarter 2021	Third Quarter 2020	Year to Date 2021	Year to Date 2020
Wage subsidy (CEWS)	$ 16,206	$22,378	$46,706	$42,686
Rent subsidy (CERS)	705	—	12,553	—
Realty tax subsidy	973	—	11,487	—
Utility subsidy	665	—	4,553	—
Total	$ 18,549	$ 22,378	$ 75,299	$ 42,686

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

12. Net loss per share

Basic

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

	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Net loss attributable to owners of Cineplex - continuing operations	$ (33,552)	$ (121,209)	$ (226,944)	$ (393,593)
Net loss attributable to owners of Cineplex	$ (33,552)	$ (121,209)	$ (226,944)	$ (398,545)
Weighted average number of shares outstanding	63,342,557	63,333,238	63,339,070	63,333,238
Basic EPS from continuing operations	$ (0.53)	$ (1.91)	$ (3.58)	$ (6.21)
Basic EPS from discontinued operations	—	—	—	(0.08)
Basic EPS	$ (0.53)	$ (1.91)	$ (3.58)	$ (6.29)

Diluted

Diluted EPS is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the outstanding shares for the period), based on the monetary value of the rights attached to the potentially dilutive shares. The number of shares calculated above is compared with the number of shares that would have been issued assuming exercise of conversions, exchanges or options. The options and convertible debentures are anti-dilutive in 2021 and 2020, as applicable.

	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Net loss attributable to owners of Cineplex - continuing operations	$ (33,552)	$ (121,209)	$ (226,944)	$ (393,593)
Net loss attributable to owners of Cineplex	$ (33,552)	$ (121,209)	$ (226,944)	$ (398,545)
Weighted average number of shares for diluted EPS	63,342,557	63,333,238	63,339,070	63,333,238
Diluted EPS from continuing operations	$ (0.53)	$ (1.91)	$ (3.58)	$ (6.21)
Diluted EPS from discontinued operations	—	—	—	(0.08)
Diluted EPS	$ (0.53)	$ (1.91)	$ (3.58)	$ (6.29)

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

13. Changes in operating assets and liabilities

The following summarizes the changes in operating assets and liabilities:

	Three months ended September 30,		Nine months ended September 30,	
	2021	**2020**	**2021**	**2020**
Trade and other receivables	$ (4,218)	$ 4,006	$ 5,324	$ 121,024
Inventories	(3,157)	2,763	(2,482)	4,761
Prepaid expenses and other current assets	(667)	(2,965)	(1,884)	930
Accounts payable and accrued liabilities	40,034	(45,546)	54,859	(84,309)
Income taxes receivable	8,814	3,471	65,657	7,496
Deferred revenue	(7,034)	6,660	(2,030)	(3,963)
Post-employment benefit obligations	22	176	(844)	148
Share-based compensation	(542)	(2,886)	1,583	(19,912)
Other liabilities	(612)	(573)	(1,340)	(2,096)
	$ 32,640	$ (34,894)	$ 118,843	$ 24,079

Property, equipment and leasehold purchases are included in accounts payable and accrued liabilities as at September 30, 2021, in the amount of $531 (2020 - $4,804).

14. Operating segments

Cineplex has four reportable segments; Film Entertainment and Content, Media, Amusement and Leisure and Location-Based Entertainment. The reportable segments are business units offering differing products and services and managed separately due to their distinct natures. These four reportable segments have been determined by Cineplex's chief operating decision makers. The Film Entertainment and Content reporting segment does not charge an access fee to the Media reporting segment. All other inter-segment transactions are eliminated in the Corporate and other category, which includes all corporate general and administrative costs not directly associated with a segment.

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

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

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

Location-Based Entertainment

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

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

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

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.

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

The following tables disclose the results of the Film Entertainment and Content, Media, Amusement and Leisure and Location-Based Entertainment segments for the three and nine months ended September 30, 2021 and 2020:

Three months ended September 30, 2021	Film Entertainment and Content (i)	Media (i)	Amusement and Leisure	Location-Based Entertainment	Corporate and other (iii)	Consolidated
Major product and service lines						
Box office	$ 94,114	$ —	$ —	$ —	$ —	$ 94,114
Food service	73,544	—	—	6,427	—	79,971
Media	—	13,901	—	159	—	14,060
Amusement	2,709	—	35,473	15,137	—	53,319
Other	8,863	—	—	53	—	8,916
Total revenues	$ 179,230	$ 13,901	$ 35,473	$ 21,776	$ —	$ 250,380
Primary geographical markets						
Canada	$ 179,230	$ 11,669	$ 10,895	$ 21,776	$ —	$ 223,570
United States and other countries	—	2,232	24,578	—	—	26,810
Total revenues	$ 179,230	$ 13,901	$ 35,473	$ 21,776	$ —	$ 250,380
Timing of revenue recognition						
Transferred at a point in time	$ 179,230	$ 2,929	$ 35,473	$ 21,776	$ —	$ 239,408
Transferred over time	—	10,972	—	—	—	10,972
Total revenues	$ 179,230	$ 13,901	$ 35,473	$ 21,776	$ —	$ 250,380
Adjusted EBITDAaL	$ 8,840	$ 6,025	$ 7,011	$ 8,009	$ (19,123)	$ 10,762
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.						2,064
Other adjustments (ii)						(3,969)
Depreciation and amortization - other assets						28,297
Interest expense - other						17,990
Interest income						(68)
Net loss						$ (33,552)
Other operating segment disclosures						
Depreciation - right-of-use assets	$ 22,694	$ 614	$ 837	$ 914	$ 92	$ 25,151
Depreciation and amortization - other assets	$ 16,843	$ 1,199	$ 5,951	$ 4,304	$ —	$ 28,297
Interest expense - lease obligations	$ 13,086	$ 78	$ 124	$ 1,330	$ 224	$ 14,842
Goodwill balance	$ 413,915	$ 206,385	$ 15,288	$ —	$ —	$ 635,588

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

Three months ended September 30, 2020	Film Entertainment and Content (i)	Media (i)	Amusement and Leisure	Location-Based Entertainment	Corporate and other (iii)	Consolidated
Major product and service lines						
Box office	$ 14,531	$ —	$ —	$ —	$ —	$ 14,531
Food service	13,928	—	—	1,540	—	15,468
Media	—	12,848	—	(23)	—	12,825
Amusement	119	—	9,564	3,553	—	13,236
Other	4,908	—	—	54	—	4,962
Total revenues	$ 33,486	$ 12,848	$ 9,564	$ 5,124	$ —	$ 61,022
Primary geographical markets						
Canada	$ 33,486	$ 10,307	$ 3,892	$ 5,124	$ —	$ 52,809
United States and other countries	—	2,541	5,672	—	—	8,213
Total revenues	$ 33,486	$ 12,848	$ 9,564	$ 5,124	$ —	$ 61,022
Timing of revenue recognition						
Transferred at a point in time	$ 33,486	$ 3,445	$ 9,564	$ 5,147	$ —	$ 51,642
Transferred over time	—	9,403	—	(23)	—	9,380
Total revenues	$ 33,486	$ 12,848	$ 9,564	$ 5,124	$ —	$ 61,022
Adjusted EBITDAaL	$ (34,574)	$ 4,127	$ (2,996)	$ (220)	$ (13,062)	$ (46,725)
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.						24,593
Other adjustments (ii)						(12,062)
Depreciation and amortization - other assets						30,375
Interest expense - other						15,503
Interest income						(20)
Income taxes recovery						(49,539)
Impairment of long-lived assets and goodwill						65,634
Net loss						$ (121,209)
Other operating segment disclosures						
Depreciation - right-of-use assets	$ 25,469	$ 812	$ 2,359	$ 1,724	$ 175	$ 30,539
Depreciation and amortization - other assets	$ 17,738	$ 2,781	$ 6,872	$ 2,984	$ —	$ 30,375
Interest expense - lease obligations	$ 10,642	$ 114	$ 142	$ 951	$ 5	$ 11,854
Impairment of long-lived assets and goodwill	$ 65,634	$ —	$ —	$ —	$ —	$ 65,634
Goodwill balance	$ 440,821	$ 206,385	$ 15,694	$ —	$ —	$ 662,900

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

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

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

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

Nine months ended September 30, 2021	Film Entertainment and Content (i)	Media (i)	Amusement and Leisure	Location-Based Entertainment	Corporate and other (iii)	Consolidated
Major product and service lines						
Box office	$ 110,430	$ —	$ —	$ —	$ —	$ 110,430
Food service	92,559	—	—	7,195	—	99,754
Media	—	32,370	—	165	—	32,535
Amusement	2,980	—	68,478	17,919	—	89,377
Other	24,541	—	—	81	—	24,622
Total revenues	$ 230,510	$ 32,370	$ 68,478	$ 25,360	$ —	$ 356,718
Primary geographical markets						
Canada	$ 230,510	$ 24,533	$ 16,837	$ 25,360	$ —	$ 297,240
United States and other countries	—	7,837	51,641	—	—	59,478
Total revenues	$ 230,510	$ 32,370	$ 68,478	$ 25,360	$ —	$ 356,718
Timing of revenue recognition						
Transferred at a point in time	$ 230,510	$ 8,721	$ 68,478	$ 25,360	$ —	$ 333,069
Transferred over time	—	23,649	—	—	—	23,649
Total revenues	$ 230,510	$ 32,370	$ 68,478	$ 25,360	$ —	$ 356,718
Adjusted EBITDAaL	$ (70,488)	$ 8,252	$ 4,758	$ 1,629	$ (48,644)	$ (104,493)
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.						14,971
Other adjustments (ii)						(30,752)
Depreciation and amortization - other assets						85,541
Interest expense - other						49,554
Interest income						(202)
Provision for income taxes						3,339
Net loss						$ (226,944)
Other operating segment disclosures						
Depreciation - right-of-use assets	$ 69,366	$ 2,133	$ 2,377	$ 2,840	$ 490	$ 77,206
Depreciation and amortization - other assets	$ 52,448	$ 3,523	$ 17,865	$ 11,705	$ —	$ 85,541
Interest expense - lease obligations	$ 38,894	$ 261	$ 403	$ 3,883	$ 501	$ 43,942
Goodwill balance	$ 413,915	$ 206,385	$ 15,288	$ —	$ —	$ 635,588

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

Nine months ended September 30, 2020	Film Entertainment and Content (i)	Media (i)	Amusement and Leisure	Location-Based Entertainment	Corporate and other (iii)	Consolidated
Major product and service lines						
Box office	$ 125,560	$ —	$ —	$ —	$ —	$ 125,560
Food service	89,695	—	—	8,394	—	98,089
Media	—	52,314	—	548	—	52,862
Amusement	2,327	—	48,212	13,765	—	64,304
Other	24,582	—	—	414	—	24,996
Total revenues	$ 242,164	$ 52,314	$ 48,212	$ 23,121	$ —	$ 365,811
Primary geographical markets						
Canada	$ 242,164	$ 41,122	$ 14,189	$ 23,121	$ —	$ 320,596
United States and other countries	—	11,192	34,023	—	—	45,215
Total revenues	$ 242,164	$ 52,314	$ 48,212	$ 23,121	$ —	$ 365,811
Timing of revenue recognition						
Transferred at a point in time	$ 242,164	$ 15,002	$ 48,212	$ 22,573	$ —	$ 327,951
Transferred over time	—	37,312	—	548	—	37,860
Total revenues	$ 242,164	$ 52,314	$ 48,212	$ 23,121	$ —	$ 365,811
Adjusted EBITDAaL	$ (95,234)	$ 18,017	$ (7,817)	$ (3,966)	$ (27,866)	$ (116,866)
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.						42,043
Other adjustments (ii)						(8,108)
Depreciation and amortization - other assets						96,096
Interest expense - other						42,108
Interest income						(149)
Income taxes expense						(133,946)
Impairment of long-lived assets and goodwill						238,688
Net loss from continuing operations						$ (393,598)
Net loss from discontinued operations (note 16)						(4,952)
Net loss						$ (398,550)
Other operating segment disclosures						
Depreciation - right-of-use assets	$ 89,080	$ 2,562	$ 3,652	$ 4,437	$ 526	$ 100,257
Depreciation and amortization - other assets	$ 55,275	$ 9,088	$ 21,848	$ 9,885	$ —	$ 96,096
Interest expense - lease obligations	$ 31,362	$ 344	$ 459	$ 2,699	$ 21	$ 34,885
Impairment of long-lived assets and goodwill	$ 206,470	$ —	$ —	$ 32,218	$ —	$ 238,688
Goodwill balance	$ 440,821	$ 206,385	$ 15,694	$ —	$ —	$ 662,900

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

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

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

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

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

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.

15. Basis of presentation and accounting standards

Basis of preparation and measurement

Cineplex prepares its unaudited interim condensed consolidated financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"), defined as International Financial Reporting Standards ("IFRS") as set out in the CPA Canada Handbook. The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires that management exercise judgment in applying Cineplex's accounting policies. These unaudited interim condensed consolidated financial statements are presented in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. The disclosures contained in these unaudited interim condensed consolidated financial statements do not contain all requirements of Canadian GAAP for annual consolidated financial statements and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2020. These unaudited interim condensed consolidated financial statements follow the same accounting policies and methods of application as the audited financial statements for the year ended December 31, 2020.

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

16. Assets held for sale and discontinued operations

During the quarter ended September 30, 2019, Cineplex initiated a review process of WorldGaming Network LP's ("WGN") online esports business, engaging a third party adviser to identify a strategic equity partner. On June 29, 2020, Cineplex sold all of its interest in WGN for a nominal amount. A nominal gain was recognized on the disposition and was included in net loss from discontinued operations. No further operations have been classified as a discontinued operation and all amounts presented in the current period interim consolidated financial statements are from continuing operations. Refer to the audited consolidated financial statements for the year ended December 31, 2020 for further details.