UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2001

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 0-24216

IMAX CORPORATION
(Exact name of registrant as specified in its charter)

Canada	98-0140269
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

2525 Speakman Drive, Mississauga, Ontario, Canada	L5K 1B1
(Address of principal executive offices)	(Postal Code)

Registrant's telephone number, including area code (905) 403-6500

N/A
(Former name or former address, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate the number of shares of each of the issuer's classes of common stock, as of the latest practicable date:

Class	Outstanding as of April 30, 2001
Common stock, no par value	31,126,514

IMAX CORPORATION

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SPECIAL NOTE REGARDING FORWARD-LOOKING INFORMATION

Certain statements included herein may constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, references to future capital expenditures (including the amount and nature thereof), business strategies and measures to implement strategies, competitive strengths, goals, expansion and growth of its business and operations, plans and references to the future success of the Company. These forward-looking statements are based on certain assumptions and analyses made by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments as well as other factors it believes are appropriate in the circumstances. However, whether actual results and developments will conform with the expectations and predictions of the Company is subject to a number of risks and uncertainties, including, but not limited to, general economic, market or business conditions; the opportunities (or lack thereof) that may be presented to and pursued by the Company; competitive actions by other companies; conditions in the out-of-home entertainment industry; changes in laws or regulations; risks associated with investments and operations in foreign jurisdictions and any future international expansion, including those related to economic, political and regulatory policies of local governments and laws and policies of the United States and Canada; and the potential impact of increased competition in the markets the Company operates within and other factors, many of which are beyond the control of the Company. Consequently, all of the forward-looking statements made herein are qualified by these cautionary statements, and there can be no assurance that the actual results or developments anticipated by the Company will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Company.

IMAX CORPORATION

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PART I	FINANCIAL INFORMATION	
ITEM 1.	FINANCIAL STATEMENTS	

The following condensed consolidated financial statements are filed as part of this Report:

IMAX CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
IN ACCORDANCE WITH U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES
(in thousands of U.S. dollars)

	March 31, 2001 (unaudited)	December 31, 2000
ASSETS		
Cash and cash equivalents	$ 20,935	$ 30,908
Investments in marketable debt securities	3,922	7,529
Accounts receivable, less allowance for doubtful accounts of $19,691 (2000 - $19,774)	32,315	34,835
Net investment in leases	71,430	77,093
Inventories (note 3)	64,650	69,910
Income taxes recoverable	8,457	8,830
Prepaid expenses	4,338	3,650
Film assets	29,791	29,749
Fixed assets	91,295	89,879
Other assets	31,487	32,859
Deferred income taxes	53,646	46,345
Goodwill, net of accumulated amortization of $15,660 (2000 - $14,818)	61,060	60,513
Total assets	$ 473,326	$ 492,100
LIABILITIES		
Accounts payable	$ 11,583	$ 23,250
Accrued liabilities	55,232	40,160
Deferred revenue	100,373	106,427
Convertible subordinated notes due 2003	100,000	100,000
Senior notes due 2005	200,000	200,000
Total liabilities	467,188	469,837
COMMITMENTS AND CONTINGENCIES (notes 4 and 5)		
SHAREHOLDERS' EQUITY		
Common stock - no par value. Authorized - unlimited number. Issued and outstanding - 30,126,514 (2000 - 30,051,514)	60,152	60,136
Deficit	(52,049)	(38,278)
Accumulated other comprehensive (loss) income	(1,965)	405
Total shareholders' equity	6,138	22,263
Total liabilities and shareholders' equity	$ 473,326	$ 492,100

(See accompanying notes to the condensed consolidated financial statements
on pages 7 to 11)

IMAX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
IN ACCORDANCE WITH U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES
(in thousands of U.S. dollars, except per share data)
(UNAUDITED)

	Three months ended March 31, 2001	2000
REVENUE		
IMAX systems	$ 16,278	$ 25,273
Digital projection systems	6,399	12,916
Films	9,256	10,459
Other	3,145	6,150
	35,078	54,798
COSTS AND EXPENSES	24,789	33,783
GROSS MARGIN	10,289	21,015
Selling, general and administrative expenses	11,821	11,528
Restructuring costs	10,942	-
Research and development	1,294	1,592
Amortization of intangibles	1,077	1,009
Loss (income) from equity-accounted investees	93	(2)
EARNINGS (LOSS) FROM OPERATIONS	(14,938)	6,888
Interest income	357	1,542
Interest expense	(5,303)	(5,535)
Foreign exchange loss	(1,118)	(141)
EARNINGS (LOSS) BEFORE INCOME TAXES	(21,002)	2,754
Recovery of (provision for) income taxes	7,231	(1,019)
EARNINGS (LOSS) BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	(13,771)	1,735
Cumulative effect of changes in accounting principles, net of income tax benefit of $37,286 (note 2)	-	(61,110)
NET LOSS	$ (13,771)	$ (59,375)
PER SHARE DATA (note 6):		
Earnings (loss) per share - basic:		
Earnings (loss) before cumulative effect of changes in accounting principles	$ (0.46)	$ 0.06
Cumulative effect of changes in accounting principles	$ -	$ (2.05)
Net loss	$ (0.46)	$ (1.99)
Earnings (loss) per share - diluted:		
Earnings (loss) before cumulative effect of changes in accounting principles	$ (0.46)	$ 0.06
Cumulative effect of changes in accounting principles	$ -	$ (1.98)
Net loss	$ (0.46)	$ (1.92)

(See accompanying notes to the condensed consolidated financial statements on pages 7 to 11)

IMAX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
IN ACCORDANCE WITH U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES
(in thousands of U.S. dollars)
(UNAUDITED)

	Three months ended March 31, 2001	2000
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net loss	$ (13,771)	$ (59,375)
Items not involving cash:		
Depreciation, amortization and write-downs	6,762	5,727
Loss (gain) from equity-accounted investees	93	(2)
Deferred income taxes	(6,985)	903
Cumulative effect of changes in accounting principles	-	61,110
Increase in film assets	(2,205)	(3,381)
Changes in other non-cash operating assets and liabilities	4,443	(44,071)
Net cash used in operating activities	(11,663)	(39,089)
INVESTING ACTIVITIES		
Net sale of investments in marketable debt securities	3,607	33,263
Purchase of fixed assets	(948)	(9,532)
Increase in other assets	(525)	(1,672)
Net cash provided by investing activities	2,134	22,059
FINANCING ACTIVITIES		
Common shares issued	16	191
Net cash provided by financing activities	16	191
Effects of exchange rate changes on cash	(460)	(19)
DECREASE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD	(9,973)	(16,858)
Cash and cash equivalents, beginning of period	30,908	34,573
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 20,935	$ 17,715

(See accompanying notes to the condensed consolidated financial statements on pages 7 to 11)

IMAX CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
IN ACCORDANCE WITH U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES
(Tabular amounts in thousands of U.S. dollars unless otherwise stated)
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2001 AND 2000
(UNAUDITED)

1. BASIS OF PRESENTATION

The consolidated financial statements include the accounts of IMAX Corporation and its wholly owned subsidiaries. The nature of the Company's business is such that the results of operations for the interim periods presented are not necessarily indicative of results to be expected for the fiscal year. In the opinion of management, the information contained herein reflects all adjustments necessary to make the results of operations for the interim periods a fair statement of such operations. All such adjustments are of a normal recurring nature.

These interim financial statements are unaudited and should be read in conjunction with the Company's most recent annual report on Form 10-K for the year ended December 31, 2000 which should be consulted for a summary of the significant accounting policies utilized by the Company. These interim financial statements are prepared following accounting policies consistent with the Company's financial statements for the year ended December 31, 2000.

2. CHANGES IN ACCOUNTING POLICIES

(A) SEC STAFF ACCOUNTING BULLETIN NO. 101, "REVENUE RECOGNITION IN FINANCIAL STATEMENTS" ("SAB 101")

In preparing its financial statements for the year ended December 31, 2000, the Company reviewed its revenue recognition accounting policies in the context of SAB 101. In accordance with the interpretive guidance of SAB 101, the Company, effective January 1, 2000, recognizes revenue on theater systems whether pursuant to sales-type leases or sales, at the time that installation is complete. Prior to January 1, 2000, the Company recognized revenue from sales-type leases and sales of theater systems at the time of delivery. The effect of applying this change in accounting principle is a first quarter 2000 non-cash charge of $54.5 million, net of income taxes of $33.4 million, or $1.83 per share, representing the cumulative impact on retained earnings as at December 31, 1999.

(B) AICPA STATEMENT OF POSITION 00-2, "ACCOUNTING BY PRODUCERS OR DISTRIBUTORS OF FILMS" ("SOP 00-2")

Effective January 1, 2000, the Company adopted SOP 00-2. Prior to January 1, 2000, revenues associated with the licensing of films were recognized in accordance with Statement of Financial Accounting Standard No. 53, "Financial Reporting by Producers and Distributors of Motion Picture Films" ("FAS 53") and exploitation costs were capitalized and amortized. As a result of adopting SOP 00-2, the Company has recorded a non-cash charge of $6.6 million, net of income taxes of $3.9 million, or $0.22 per share, to first quarter 2000 earnings, representing the cumulative impact on retained earnings as at December 31, 1999.

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3. INVENTORIES

	March 31, 2001	December 31, 2000
Raw materials	$ 16,083	$ 16,037
Work-in-process	12,861	11,963
Finished goods	35,706	41,910
	$ 64,650	$ 69,910

Finished goods at March 31, 2001 and December 31, 2000 include $25.4 million and $29.6 million, respectively, in theater systems delivered to customers where installation was not complete.

4. FINANCIAL INSTRUMENTS

Effective January 1, 2001, the Company adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("FAS 133") and its subsequent amendments and interpretations. FAS 133 established accounting and reporting standards requiring that all derivative instruments be recorded in the balance sheet either as an asset or a liability at their fair values. The statement requires that changes in the derivative's fair value be recognized in earnings unless specific hedge accounting criteria are met. As a result, the Company recorded a transition loss of $210,000 in its consolidated statement of operations on January 1, 2001. In addition, a transition amount of $496,000 (net of income tax benefit of $291,000) has been recorded as a charge to comprehensive loss to March 31, 2001.

The Company has entered into forward exchange contracts at March 31, 2001 to hedge the conversion of $14 million into Canadian dollars at an average exchange rate of Canadian $1.49 per U.S. dollar. These forward contracts are accounted for as hedges of identifiable foreign currency commitments. The Company has also entered into foreign currency swap transactions to hedge minimum lease payments receivable under sales-type lease contracts denominated in Japanese Yen and French Francs. These swap transactions fix the foreign exchange rates on conversion of 79 million Yen at 98 Yen per U.S. dollar through September 2004 and on 11.4 million Francs at 5.1 Francs per U.S. dollar through September 2005.

5. CONTINGENCIES

(A) In April 1994, Compagnie France Film Inc. filed a claim against the Company in the Superior Court in the District of Montreal, in the Province of Quebec, alleging breach of contract and bad faith in respect of an agreement which the plaintiff claims it entered into with the Company for the establishment of an IMAX theater in Quebec City, Quebec, Canada. The Company disputed these claims and the suit went to trial in January 1998. In a decision rendered in April 1998, the court dismissed the plaintiffs' claims with costs. In May 1998, the plaintiff appealed the decision to the Quebec Court of Appeal. The Company believes that the amount of the loss, if any, suffered in connection with a successful appeal by the plaintiff will not have a material impact on the financial position or results of operations of the Company, although no assurance can be given with respect to the ultimate outcome of this matter.

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5. CONTINGENCIES (CONT'D)

(B) In January 2000, the Commission of the European Communities (the "Commission") informed the Company that Euromax, an association of European large screen cinema owners, had filed a complaint against the Company under EC competition rules. The complaint addressed a variety of alleged abuses, mainly relating to the degree of the control that the Company asserts over the projection systems it leases and the form and terms of the Company's agreements. No formal investigation has been initiated to date, and the Commission has limited itself to a request of IMAX to comment on the complaint and subsequent response. Should proceedings be initiated, it is expected that no decision would be rendered until the end of 2001 or 2002 at the earliest. Although the Commission has the power to impose fines of up to a maximum of 10% of Company revenue for breach of EC competition rules, the Company believes on the basis of currently available information and an initial review that such result would not be likely. The Company further believes that the allegations in the complaint are meritless and will accordingly defend the matter vigorously. The Company believes that the amount of the loss, if any, suffered in connection with this dispute would not have a material impact on the financial position or results of operations of the Company, although no assurance can be given with respect to the ultimate outcome of this litigation.

(C) In April 2000, Themax Inc., a 33% owned investee of the Company, and certain of its shareholders (collectively "Themax") filed a claim against the Company in the Superior Court in the District of Longueuil, in the Province of Quebec, alleging breach of contract in respect of the IMAX System Lease agreement between IMAX Ltd. and Themax dated February 5, 1996 as well as a claim for damages suffered as a result of IMAX Ltd.'s alleged failure to adequately manage the Brossard Theater during its tenure as manager. Themax claimed damages representing a return of the original investment by Themax as well as lost profits and costs. On November 8, 2000, Themax filed a notice of intention to make a proposal in bankruptcy. The affect of such proposal on the litigation is uncertain. The Company believes that the allegations made by Themax are entirely without merit and has and will accordingly defend the matter vigorously. The Company believes that the amount of loss, if any, suffered in connection with this lawsuit would not have a material impact on the financial position or results of operations of the Company, although no assurance can be given with respect to the ultimate outcome for any such litigation.

(D) In June 2000, a complaint was filed against the Company and a third party by Mandalay Resort Group f/k/a Circus Circus Enterprises, Inc., alleging breach of contract and express warranty, fraud and misrepresentation in connection with the installation of certain motion simulation bases in Nevada. The complaint alleges damages in excess of $30,000. The Company believes that the allegations made against it in this complaint are meritless and will accordingly defend the matter vigorously. The Company further believes that the amount of loss, if any, suffered in connection with this lawsuit would not have a material impact on the financial position or results of operations of the Company, although no assurance can be given with respect to the ultimate outcome for any such litigation.

(E) In December 2000, the Company filed a complaint against George Krikorian Premiere Theatres LLC and certain other related parties (collectively "Krikorian") in the U.S. District of California, alleging breach of contract and fraud resulting in damages to the Company in excess of US$6 million. In February 2001, Krikorian filed a Reply and Counterclaim against the Company alleging, among other things, fraudulent inducement and negligent misrepresentation. In April 2001, Krikorian's counterclaims were dismissed by the Court without prejudice. The Company believes that the allegations made against it in the Reply and Counterclaim were meritless and will defend any new counterclaims brought by Krikorian vigorously.

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5. CONTINGENCIES (CONT'D)

The Company believes that the amount of loss, if any, suffered in connection with any future counterclaims brought by Krikorian would not have a material impact on the financial position or results of operations of the Company, although no assurance can be given with respect to the ultimate outcome for any such litigation.

(F) In March 2001, a complaint was filed against the Company by Muvico Entertainment, L.L.C. ("Muvico"), alleging misrepresentation and seeking rescission in respect of the system leasing agreements between the Company and Muvico. In May 2001, the Company filed counterclaims against Muvico for breach of contract, unjust enrichment and theft of trade secrets, and brought claims against Muvico and MegaSystems, Inc. ("MegaSystems"), a large format theater system manufacturer, for tortious interference, unfair competition and/or deceptive trade practices, violations of the U.S. Lanham Act, and to enjoin Muvico and MegaSystems from using the Company's confidential and proprietary information. The Company believes that the allegations made by Muvico in its complaint are entirely without merit and will accordingly defend the claims vigorously. The Company further believes that the amount of loss, if any, suffered in connection with this lawsuit would not have a material impact on the financial position or results of operation of the Company, although no assurance can be given with respect to the ultimate outcome for any such litigation.

(G) In addition to the litigation described above, the Company is currently involved in other litigation which, in the opinion of the Company's management, will not materially affect the Company's financial position or future operating results, although no assurance can be given with respect to the ultimate outcome for any such litigation.

6. EARNINGS PER SHARE

Reconciliations of the numerators and denominators of the basic and diluted per-share computations are as follows:

	Three months ended March 31, 2001	2000
Net loss available to common shareholders:	$ (13,771)	$ (59,375)
Weighted average number of common shares (000's):		
Issued and outstanding at beginning of period	30,052	29,758
Weighted average number of shares issued in the period	62	16
Weighted average number of shares used in computing basic earnings per share	30,114	29,774
Assumed exercise of stock options, net of shares assumed	-	1,110
Weighted average number of shares used in computing diluted earnings per share	30,114	30,884

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6. EARNINGS PER SHARE (CONT'D)

For the quarter ended March 31, 2001, the assumed exercise of stock options, net of shares assumed acquired under the Treasury Stock Method and common shares issuable pursuant to the Convertible Subordinated Notes would have an antidilutive effect on earnings per share and have not been included in the above computations.

7. COMPREHENSIVE LOSS

Comprehensive loss amounted to $16.1 million in the three months ended March 31, 2001 ($4.4 million for the three months ended March 31, 2000).

8. SEGMENTED INFORMATION

The Company has four reportable segments: IMAX systems, digital projection systems, films and other.

There has been no change in the basis of measurement of segment profit or loss from the Company's most recent annual report on Form 10-K for the year ended December 31, 2000. Intersegment transactions are not significant.

	Three months ended March 31, 2001	Three months ended March 31, 2000
Revenue		
IMAX systems	$ 16,278	$ 25,273
Digital projection systems	6,399	12,916
Films	9,256	10,459
Other	3,145	6,150
Total	$ 35,078	$ 54,798
Earnings (loss) from operations		
IMAX systems	$ 5,693	$ 10,406
Digital projection systems	(2,155)	265
Films	(1,280)	(349)
Other	(740)	576
Corporate overhead	(16,456)	(4,010)
Total	$ (14,938)	$ 6,888

IMAX CORPORATION

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

THREE MONTHS ENDED MARCH 31, 2001 VERSUS THREE MONTHS ENDED MARCH 31, 2000

During the first quarter of 2001, the Company signed a contract for one IMAX theater system valued at $2.8 million. The Company's sales backlog was $209.4 million at March 31, 2001, representing contracts for 70 theater systems. The Company's sales backlog will vary from quarter to quarter depending on the signing of new systems which adds to backlog and the installation of systems which reduces backlog. Sales backlog represents the sale value of all signed system sale and lease agreements that will be recognized as revenue in the future. The value of sales backlog does not include revenues from theaters in which the Company has an equity interest, letters of intent or long-term conditional theater commitments.

The Company reported a net loss of $13.8 million or $0.46 per share on a diluted basis for the first quarter of 2001 compared to net earnings of $1.7 million or $0.06 per share on a diluted basis for the first quarter of 2000 before cumulative effect of changes in accounting principles.

The Company recorded revenues for the first quarter of 2001 of $35.1 million compared to $54.8 million recorded in the corresponding quarter last year, a decrease of 36%.

Systems revenue, which includes revenue from theater system sales and leases, royalties and maintenance fees, decreased approximately 36% to $16.3 million in the first quarter of 2001 from $25.3 million in the same quarter last year. Three theater systems were installed in the first quarter of 2001 compared to 5 theater systems in the first quarter of 2000.

The Company's revenue from the sale of digital projection systems amounted to $6.4 million in the first quarter of 2001, compared to $12.9 million in the same quarter last year, a decrease of 50%, as a result of a shift of the staging and rental business from high-end to mid-market products.

Film revenue comprises revenue recognized from film distribution and film post-production activities. Film revenue decreased 12% to $9.3 million in the first quarter of 2001 from $10.5 million in the same quarter last year primarily as a result of the decrease in film distribution revenue of 20%.

Other revenues decreased 49% in the first quarter of 2001 to $3.1 million from $6.2 million in the prior year quarter. Declines in Ridefilm revenues and in revenues from the Company's owned and operated theaters contributed to the decrease in other revenues.

IMAX CORPORATION

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONT'D)

THREE MONTHS ENDED MARCH 31, 2001 VERSUS THREE MONTHS ENDED MARCH 31, 2000 - (CONT'D)

Gross margin for the first quarter of 2001 was $10.3 million compared to $21.0 million in the comparative quarter last year, a decrease of 51%. Gross margin was approximately 29% of total revenue in the first quarter of 2001 compared to approximately 38% of total revenue in the same quarter of 2000. The decline in gross margin as a percentage of revenues was due mainly to lower margins from DPI and other revenues.

Selling, general and administrative expenses were $11.8 million in the first quarter of 2001 compared to $11.5 million in the corresponding quarter last year. The increase resulted mainly from an increase in general corporate costs.

During the first quarter of 2001, the Company recorded a restructuring charge of $10.9 million related to a previously announced 15% reduction in its work force and the consolidation of manufacturing facilities.

Research and development expenses were $1.3 million in the first quarter of 2001 compared to $1.6 million in the same period last year. The lower level of expenses in 2001 reflects the timing of expenditures on certain projects.

Interest income decreased to $0.4 million in the first quarter of 2001 from $1.5 million in the first quarter of 2000 due to a decline in the average balance of cash and cash equivalents held.

The effective tax rate on earnings before taxes differs from the statutory tax rate and will vary from quarter to quarter primarily as a result of the amortization of goodwill, which is not deductible for tax purposes, and the provision of income taxes at different tax rates in foreign and other provincial jurisdictions.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2001, the Company's principal source of liquidity included cash and cash equivalents of $20.9 million, trade accounts receivable of $32.3 million, net investment in leases due within one year of $7.9 million and marketable securities of $3.9 million. Amounts receivable due with one year under contracts in backlog which are not yet reflected on the balance sheet, total approximately $36 million.

The 7.875% Senior Notes (the "Senior Notes") due December 1, 2005 are subject to redemption by the Company, in whole or in part, at any time on or after December 1, 2002 at redemption prices expressed as percentages of the principal amount for each 12-month period commencing December 1 of the years indicated: 2002 - 103.938%; 2003 - 101.969%; 2004 and thereafter - 100.000% together with interest accrued thereon to the redemption date and are subject to redemption by the Company prior to December 1, 2002 at a redemption price equal to 100% of the principal amount plus a "make whole premium". If certain changes result in the imposition of withholding taxes under Canadian law, the Senior Notes may be redeemed by the Company at a redemption price equal to 100% of the principal amount plus accrued interest to the date of redemption. In the event of a change in control, holders of the Senior Notes may require the Company to repurchase all or part of the Senior Notes at a price equal to 101% of the principal amount plus accrued interest to the date of repurchase.

The 5 3/4% Convertible Subordinated Notes (the "Subordinated Notes") due April 1, 2003 are convertible into common shares of the Company at the option of the holder at a conversion price of $21.406 per share (equivalent to a conversion rate of 46.7154 shares per $1,000 principal amount of Subordinated Notes) at any time prior to maturity. The Subordinated Notes are redeemable at the option of the Company on or after April 1, 1999 at redemption prices expressed as percentages of the principal amount (2001 - 101.643%; 2002 - 100.821%) plus accrued interest. The Subordinated Notes may only be redeemed by the Company between April 1, 1999 and April 1, 2001 if the last reported market price of the Company's common shares is equal to or greater than $30 per share for any 20 of the 30 consecutive trading days prior to the notice of redemption.

IMAX CORPORATION

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS -(CONT'D)

LIQUIDITY AND CAPITAL RESOURCES - (CONT'D)

The Subordinated Notes may be redeemed at any time on or after April 1, 2001 without limitation.

The Company partially funds its operations through cash flow from operations. Under the terms of the Company's typical theater system lease agreement, the Company receives substantial cash payments before it completes the performance of its obligations. Similarly, the Company receives cash payments for some of its film productions in advance of related cash expenditures. These cash flows have generally been adequate to finance the ongoing operations of the Company.

In the first quarter of 2001, cash used in operating activities amounted to $11.7 million. Changes in operating assets and liabilities amounted to an increase of $2.2 million, mainly due to an increase in accrued liabilities of $8.8 million related to restructuring costs.

Cash provided by investing activities in the first quarter of 2001 included a decrease in marketable securities of $3.6 million, partially offset by an increase of $0.9 million in fixed assets and an increase in other assets of $0.5 million.

During the first quarter of 2001, cash provided by financing activities included $16,000 of proceeds from common shares issued under the Company's stock option plan.

The Company believes that cash flows from operations together with existing cash and marketable securities balances and the working capital facility will continue to be sufficient to meet cash requirements in the foreseeable future.

ITEM 3. QUANTITATIVE AND QUALITATIVE FACTORS ABOUT MARKET RISK

The Company is exposed to market risk from changes in foreign currency rates. The Company does not use financial instruments for trading or other speculative purposes.

A substantial portion of the Company's revenues are denominated in U.S. dollars while a substantial portion of its costs and expenses are denominated in Canadian dollars. A portion of the net U.S. dollar flows of the Company are converted to Canadian dollars to fund Canadian dollar expenses, either through the spot market or through forward contracts. In Japan, the Company has ongoing operating expenses related to its operations. Net Japanese Yen flows are occasionally converted to U.S. dollars generally through forward contracts to minimize currency exposure. The Company also has cash receipts under leases denominated in French francs and Japanese Yen which are converted to U.S. dollars generally through forward contracts to minimize currency exposure.

IMAX CORPORATION

ITEM 3. QUANTITATIVE AND QUALITATIVE FACTORS ABOUT MARKET RISK - (CONT'D)

The following table provides information about the Company's foreign exchange and interest rate swap contracts at March 31, 2001. The fair value represents the amount the Company would receive or pay to terminate the contracts at March 31, 2001.

	MARCH 31, 2001	2002	2003	2004	2005	TOTAL	FAIR VALUE
			(IN THOUSANDS OF U.S. DOLLARS)				
FOREIGN CURRENCY EXCHANGE CONTRACTS							
(Receive Canadian $, pay U.S. $)	$14,000	-	-	-	-	$14,000	($787)
Average contractual exchange rate per one U.S. dollar	1.49	-	-	-	-	1.49	
(Pay Yen, receive U.S. $)	$318	$174	$179	$137	-	$808	$122
Average contractual exchange rate per one U.S. dollar	97.85	97.85	97.85	97.85	-	97.85	
(Pay FF, receive U.S. $)	$423	$435	$448	$462	$476	$2,244	$615
Average contractual exchange rate per one U.S. dollar	5.07	5.07	5.07	5.07	5.07	5.07	

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In April 1994, Compagnie France Film Inc. filed a claim against the Company in the Superior Court in the District of Montreal, in the Province of Quebec, alleging breach of contract and bad faith in respect of an agreement which the plaintiff claims it entered into with the Company for the establishment of an IMAX theater in Quebec City, Quebec, Canada. The Company disputed these claims and the suit went to trial in January 1998. In a decision rendered in April 1998, the court dismissed the plaintiffs' claims with costs. In May 1998, the plaintiff appealed the decision to the Quebec Court of Appeal. The Company believes that the amount of the loss, if any, suffered in connection with a successful appeal by the plaintiff will not have a material impact on the financial position or results of operations of the Company, although no assurance can be given with respect to the ultimate outcome of this matter.

In January 2000, the Commission of the European Communities (the "Commission") informed the Company that Euromax, an association of European large screen cinema owners, had filed a complaint against the Company under EC competition rules. The complaint addressed a variety of alleged abuses, mainly relating to the degree of the control that the Company asserts over the projection systems it leases and the form and terms of the Company's agreements. No formal investigation has been initiated to date, and the Commission has limited itself to a request of IMAX to comment on the complaint and subsequent response. Should proceedings be initiated, it is expected that no decision would be rendered until the end of 2001 or 2002 at the earliest. Although the Commission has the power to impose fines of up to a maximum of 10% of Company revenue for breach of EC competition rules, the Company believes on the basis of currently available information and an initial review that such result would not be likely. The Company further believes that the allegations in the complaint are meritless and will accordingly defend the matter vigorously. The Company believes that the amount of the loss, if any, suffered in connection with this dispute would not have a material impact on the financial position or results of operations of the Company, although no assurance can be given with respect to the ultimate outcome of this litigation.

ITEM 1. LEGAL PROCEEDINGS - (CONT'D)

In April 2000, Themax Inc., a 33% owned investee of the Company, and certain of its shareholders (collectively "Themax") filed a claim against the Company in the Superior Court in the District of Longueuil, in the Province of Quebec, alleging breach of contract in respect of the IMAX System Lease agreement between IMAX Ltd. and Themax dated February 5, 1996 as well as a claim for damages suffered as a result of IMAX Ltd.'s alleged failure to adequately manage the Brossard Theater during its tenure as manager. Themax claimed damages representing a return of the original investment by Themax as well as lost profits and costs. On November 8, 2000, Themax filed a notice of intention to make a proposal in bankruptcy. The affect of such proposal on the litigation is uncertain. The Company believes that the allegations made by Themax are entirely without merit and has and will accordingly defend the matter vigorously. The Company believes that the amount of loss, if any, suffered in connection with this lawsuit would not have a material impact on the financial position or results of operations of the Company, although no assurance can be given with respect to the ultimate outcome for any such litigation.

In June 2000, a complaint was filed against the Company and a third party by Mandalay Resort Group f/k/a Circus Circus Enterprises, Inc., alleging breach of contract and express warranty, fraud and misrepresentation in connection with the installation of certain motion simulation bases in Nevada. The complaint alleges damages in excess of $30,000. The Company believes that the allegations made against it in this complaint are meritless and will accordingly defend the matter vigorously. The Company further believes that the amount of loss, if any, suffered in connection with this lawsuit would not have a material impact on the financial position or results of operations of the Company, although no assurance can be given with respect to the ultimate outcome for any such litigation.

In December 2000, the Company filed a complaint against George Krikorian Premiere Theatres LLC and certain other related parties (collectively "Krikorian") in the U.S. District of California, alleging breach of contract and fraud resulting in damages to the Company in excess of US$6 million. In February 2001, Krikorian filed a Reply and Counterclaim against the Company alleging, among other things, fraudulent inducement and negligent misrepresentation. In April 2001, Krikorian's counterclaims were dismissed by the Court without prejudice. The Company believes that the allegations made against it in the Reply and Counterclaim were meritless and will defend any new counterclaims brought by Krikorian vigorously. The Company believes that the amount of loss, if any, suffered in connection with any future counterclaims brought by Krikorian would not have a material impact on the financial position or results of operations of the Company, although no assurance can be given with respect to the ultimate outcome for any such litigation.

In March 2001, a complaint was filed against the Company by Muvico Entertainment, L.L.C. ("Muvico"), alleging misrepresentation and seeking rescission in respect of the system leasing agreements between the Company and Muvico. In May 2001, the Company filed counterclaims against Muvico for breach of contract, unjust enrichment and theft of trade secrets, and brought claims against Muvico and MegaSystems, Inc. ("MegaSystems"), a large format theater system manufacturer, for tortious interference, unfair competition and/or deceptive trade practices, violations of the U.S. Lanham Act, and to enjoin Muvico and MegaSystems from using the Company's confidential and proprietary information. The Company believes that the allegations made by Muvico in its complaint are entirely without merit and will accordingly defend the claims vigorously. The Company further believes that the amount of loss, if any, suffered in connection with this lawsuit would not have a material impact on the financial position or results of operation of the Company, although no assurance can be given with respect to the ultimate outcome for any such litigation.

In addition to the litigation described above, the Company is currently involved in other litigation which, in the opinion of the Company's management, will not materially affect the Company's financial position or future operating results, although no assurance can be given with respect to the ultimate outcome for any such litigation.

IMAX CORPORATION

ITEM 2. SUPPLEMENTING OF AUDITORS' REPORT FOR 2000 AND 1999 FINANCIALS

Attached as Exhibit 13 is the revised Auditors' Report of PricewaterhouseCoopers LLP ("PwC"), the Company's auditors, on the Company's consolidated balance sheets as at December 31, 2000 and 1999 and the related consolidated statements of operations, cash flows and shareholders' equity for each year in the three-year period ended December 31, 2000. Such balance sheets and consolidated statements are reprinted in their entirety from the Company's 2000 Form 10-K. Article 2-02(c) of SEC Regulation S-X calls for the opinion of the accountant as to the consistency of the application of the accounting principles, or as to any changes in such principles which have a material effect on the financial statements. PwC's revised Auditors' Report states that, as discussed more fully in Note 3 to the consolidated financial statements in the Company's 2000 Form 10-K, the Company changed its accounting principles for revenue recognition and film assets in 2000.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(A) EXHIBITS

*10.15 Amended Employment Agreement, dated April 3, 2001 between IMAX Corporation and Bradley J. Wechlser.

*10.16 Amended Employment Agreement, dated April 3, 2001 between IMAX Corporation and Richard L. Gelfond.

*13 Supplementing of Auditors' Report for 2000 and 1999 financials.

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* Filed herewith

(B) REPORTS ON FORM 8-K

There were no reports filed on Form 8-K in the three-month period ended March 31, 2001.

IMAX CORPORATION

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

IMAX CORPORATION

Date: May 15, 2001

By: / S / John M. Davison

John M. Davison
President, Chief Operating Officer and
Chief Financial Officer
(Principal Financial Officer)

By: / S / Mark J. Thornley

Mark J. Thornley
Senior Vice President, Finance
(Principal Accounting Officer)

Exhibit 10.15

AMENDED EMPLOYMENT AGREEMENT

This agreement amends the employment agreement (the "Agreement") between Bradley Wechsler (the "Executive") and Imax Corporation (the "Company") dated July 1, 1998, as amended, on the same terms and conditions except as set out below:

1. TERM. The term of the Agreement is extended for one additional year, until June 30, 2002.

2. CASH COMPENSATION. The Executive shall be entitled to be paid base salary at the rate of $500,000 per year, plus a bonus of up to two times salary. Such bonus shall be at the discretion of the Board of Directors and shall be based upon the success of the Company in achieving the goals and objectives set forth in Schedule A attached hereto. The Executive shall be considered for a bonus payable in 2002 based upon performance to December 31, 2001 and for a further bonus payable on a pro rata basis for the period from December 31, 2001 to June 30, 2002, unless the Agreement is further extended.

3. RESTRICTED STOCK. The Executive shall be entitled to a grant of restricted stock in the amount of 175,000 shares of the Company. Such grant shall be effective April 3, 2001 and shall vest immediately.

4. EXCHANGE. Executive agrees to surrender options to purchase 1.3 million common shares of the Company in exchange for a grant of restricted stock in the amount of 325,000 shares of the Company, effective April 3, 2001. The options surrendered shall be at the discretion of the Executive.

5. REGULATORY APPROVAL. The Company agrees to seek regulatory approval with respect to the grants of restricted stock contemplated herein. It is acknowledged that such regulatory approval may be contingent upon shareholder approval. In the event that regulatory or shareholder approvals cannot be obtained in respect of the issue of restricted stock to the Executive, the Company shall be obligated to put the Executive in substantially the same economic position as if the grants had received regulatory and shareholder approval, and the Executive shall be obligated to surrender options to purchase 1.3 million shares.

6. The entering into this agreement shall not prejudice any rights or waive any obligation under any other agreement between the Executive and the Company.

DATED as of April 3, 2001.

"Bradley Wechsler"

BRADLEY WECHSLER

IMAX CORPORATION

Per: "Garth M. Girvan"

Name: Garth M. Girvan
Title: Director

SCHEDULE "A"

DIGITAL

1. Develop the capability to take, on an economically viable basis, 35mm negatives and digitally blow them up to full IMAX width and at least 2/3 of IMAX height. (Nb. Initially these images will be recorded -- back to 1570 films and projected non-digitally.)

2. Implement the marketing and sale of an IMAX Digital Product, i.e., this is a smaller digital projection ----- system that maintains the IMAX geometry and offers better than 35mm film presentation quality.

3. Have a clear, articulated business plan and model with respect to the introduction of digital cinema (conventional), which, subject to overall industry conditions, has a degree of validation by the studio and/or exhibition community.

4. Advance the development of Super Digital Cinema (the best digital systems in the best stadium seat auditoriums for high quality events).

FILM

Have deal for at least two specific feature film products that will be re-purposed to IMAX for release in 2002.

PARTNERSHIPS

Establish at least one strategic joint-venture where someone not only brings us strategic benefits but also purchases a security in IMAX (equity, convertible debt, etc.)

FINANCIAL PERFORMANCE

Exceed fiscal 2001 budgeted key financial targets, including budgeted end of year cash, currently projected to be approximately $45-50MM, (please note, final budgets have not yet been submitted and there is specific weakness in most recent DPI numbers) other than for strategic expenditures (i.e., repurchase of debt) or other actions endorsed by the Board.

MANAGEMENT

5. Enhance the strength of second tier of management at IMAX through internal development and external hires.

6. Have a new CFO who successfully revamps IMAX's financial and reporting systems and other procedures.

OTHER

Present (and then implement) a clear plan with respect to DPI's historical business of staging and rental which is a capital user and non-strategic.

Exhibit 10.16

AMENDED EMPLOYMENT AGREEMENT

This agreement amends the employment agreement (the "Agreement") between Richard Gelfond (the "Executive") and Imax Corporation (the "Company") dated July 1, 1998, as amended, on the same terms and conditions except as set out below:

1. TERM. The term of the Agreement is extended for one additional year, until June 30, 2002.

2. CASH COMPENSATION. The Executive shall be entitled to be paid base salary at the rate of $500,000 per year, plus a bonus of up to two times salary. Such bonus shall be at the discretion of the Board of Directors and shall be based upon the success of the Company in achieving the goals and objectives set forth in Schedule A attached hereto. The Executive shall be considered for a bonus payable in 2002 based upon performance to December 31, 2001 and for a further bonus payable on a pro rata basis for the period from December 31, 2001 to June 30, 2002, unless the Agreement is further extended.

3. RESTRICTED STOCK. The Executive shall be entitled to a grant of restricted stock in the amount of 175,000 shares of the Company. Such grant shall be effective April 3, 2001 and shall vest immediately.

4. EXCHANGE. Executive agrees to surrender options to purchase 1.3 million common shares of the Company in exchange for a grant of restricted stock in the amount of 325,000 shares of the Company, effective April 3, 2001. The options surrendered shall be at the discretion of the Executive.

5. REGULATORY APPROVAL. The Company agrees to seek regulatory approval with respect to the grants of restricted stock contemplated herein. It is acknowledged that such regulatory approval may be contingent upon shareholder approval. In the event that regulatory or shareholder approvals cannot be obtained in respect of the issue of restricted stock to the Executive, the Company shall be obligated to put the Executive in substantially the same economic position as if the grants had received regulatory and shareholder approval, and the Executive shall be obligated to surrender options to purchase 1.3 million shares.

6. The entering into this agreement shall not prejudice any rights or waive any obligation under any other agreement between the Executive and the Company.

DATED as of April 3, 2001.

"Richard Gelfond"

RICHARD GELFOND

IMAX CORPORATION

Per: "Garth M. Girvan"

Name: Garth M. Girvan
Title: Director

SCHEDULE "A"

DIGITAL

1. Develop the capability to take, on an economically viable basis, 35mm negatives and digitally blow them up to full IMAX width and at least 2/3 of IMAX height. (Nb. Initially these images will be recorded -- back to 1570 films and projected non-digitally.)

2. Implement the marketing and sale of an IMAX Digital Product, i.e., this is a smaller digital projection ----- system that maintains the IMAX geometry and offers better than 35mm film presentation quality.

3. Have a clear, articulated business plan and model with respect to the introduction of digital cinema (conventional), which, subject to overall industry conditions, has a degree of validation by the studio and/or exhibition community.

4. Advance the development of Super Digital Cinema (the best digital systems in the best stadium seat auditoriums for high quality events).

FILM

Have deal for at least two specific feature film products that will be re-purposed to IMAX for release in 2002.

PARTNERSHIPS

Establish at least one strategic joint-venture where someone not only brings us strategic benefits but also purchases a security in IMAX (equity, convertible debt, etc.)

FINANCIAL PERFORMANCE

Exceed fiscal 2001 budgeted key financial targets, including budgeted end of year cash, currently projected to be approximately $45-50MM, (please note, final budgets have not yet been submitted and there is specific weakness in most recent DPI numbers) other than for strategic expenditures (i.e., repurchase of debt) or other actions endorsed by the Board.

MANAGEMENT

5. Enhance the strength of second tier of management at IMAX through internal development and external hires.

6. Have a new CFO who successfully revamps IMAX's financial and reporting systems and other procedures.

OTHER

Present (and then implement) a clear plan with respect to DPI's historical business of staging and rental which is a capital user and non-strategic.

EXHIBIT 13

REPORT OF INDEPENDENT ACCOUNTANTS TO THE SHAREHOLDERS OF IMAX CORPORATION

We have audited the accompanying consolidated balance sheets of IMAX Corporation (the "Company") as at December 31, 2000 and 1999 and the related consolidated statements of operations, cash flows and shareholders' equity for each year in the three-year period ended December 31, 2000. These financial statements and the financial statement schedule listed in the index appearing under Item 14(a)(2) on page 57 are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and the financial statement schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as at December 31, 2000 and 1999 and the results of its operations and cash flows for each year in the three-year period ended December 31, 2000 in accordance with accounting principles generally accepted in the United States.

As discussed in Note 3 to the consolidated financial statements, the Company changed its accounting principles for revenue recognition and film assets in 2000.

In addition, in our opinion, the financial statement schedule referred to above presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PricewaterhouseCoopers LLP
Chartered Accountants
Toronto, Canada
March 28, 2001

IMAX CORPORATION

CONSOLIDATED BALANCE SHEETS
IN ACCORDANCE WITH UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES
(In thousands of U.S. dollars)

	AS AT DECEMBER 31, 2000	1999
ASSETS		
Cash and cash equivalents	$ 30,908	$ 34,573
Investments in marketable debt securities	7,529	89,032
Accounts receivable, less allowance for doubtful accounts of $19,774 (1999 - $5,276)	34,835	42,619
Net investment in leases (note 6)	77,093	137,005
Inventories (note 7)	69,910	31,141
Income taxes recoverable	8,830	-
Prepaid expenses	3,650	2,621
Film assets (note 8)	29,749	38,453
Fixed assets (note 9)	89,879	66,897
Other assets (note 10)	32,859	28,232
Deferred income taxes (note 16)	46,345	4,913
Goodwill, net of accumulated amortization of $14,818 (1999 - $11,463)	60,513	62,751
Total assets	$ 492,100	$ 538,237
LIABILITIES		
Accounts payable	$ 23,250	$ 18,361
Accrued liabilities (note 20)	40,160	34,910
Deferred revenue	106,427	40,146
Income taxes payable	-	33,755
Senior notes due 2005 (note 11)	200,000	200,000
Convertible subordinated notes (note 13)	100,000	100,000
Total liabilities	469,837	427,172
COMMITMENTS AND CONTINGENCIES (Notes 15 and 21)		
SHAREHOLDERS' EQUITY		
Common stock (note 14) - no par value. Authorized - unlimited number. Issued and outstanding - 30,051,514 (1999 - 29,757,888)	60,136	57,471
Retained earnings (deficit)	(38,278)	54,669
Accumulated other comprehensive income (loss)	405	(1,075)
Total shareholders' equity	22,263	111,065
Total liabilities and shareholders' equity	$ 492,100	$ 538,237

(the accompanying notes are an integral part of these consolidated financial statements)

IMAX CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS
IN ACCORDANCE WITH UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES
(In thousands of U.S. dollars, except per share data)

	YEARS ENDED DECEMBER 31, 2000	1999	1998
REVENUE			
IMAX systems	$ 113,226	$ 126,826	$ 140,874
Digital projection systems	46,356	10,999	-
Films	41,711	47,227	30,824
Other	18,179	18,783	18,657
	219,472	203,835	190,355
COSTS AND EXPENSES (notes 5, 8 and 9)	159,998	106,241	111,784
GROSS MARGIN	59,474	97,594	78,571
Selling, general and administrative expenses (notes 5 and 6)	62,946	36,584	38,777
Research and development	8,732	3,868	2,745
Amortization of intangibles	4,202	2,585	5,948
Loss from equity-accounted investees (note 5)	4,811	683	6,763
EARNINGS (LOSS) FROM OPERATIONS	(21,217)	53,874	24,338
Interest income	3,339	9,984	5,320
Interest expense, net of interest capitalized of $1,393 (1999 - $754; 1998 - $nil)	(21,961)	(21,860)	(14,646)
Impairment of long-term investments (note 10)	(4,133)	-	-
Foreign exchange gain (loss)	(1,103)	977	588
EARNINGS (LOSS) BEFORE INCOME TAXES AND MINORITY INTEREST	(45,075)	42,975	15,600
Recovery of (provision for) income taxes (note 16)	13,238	(16,535)	(9,810)
EARNINGS (LOSS) BEFORE MINORITY INTEREST	(31,837)	26,440	5,790
Minority interest	-	(1,207)	(1,895)
EARNINGS (LOSS) BEFORE EXTRAORDINARY ITEM AND CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	(31,837)	25,233	3,895
Extraordinary loss on early retirement of debt, net of income tax benefit of $1,588 (note 12)	-	-	(2,095)
Cumulative effect of changes in accounting principles, net of income tax benefit of $37,286 (note 3)	(61,110)	-	-
NET EARNINGS (LOSS)	$ (92,947)	$ 25,233	$ 1,800
PER SHARE DATA (note 14):			
Earnings (loss) per share - basic:			
Earnings (loss) before extraordinary item and cumulative effect of changes in accounting principles	$ (1.07)	$ 0.85	$ 0.10
Extraordinary item	$ -	$ -	$ (0.07)
Cumulative effect of changes in accounting principles	$ (2.05)	$ -	$ -
Net earnings (loss)	$ (3.11)	$ 0.85	$ 0.03
Earnings (loss) per share - diluted:			
Earnings (loss) before extraordinary item and cumulative effect of changes in accounting principles	$ (1.07)	$ 0.83	$ 0.09
Extraordinary item	$ -	$ -	$ (0.06)
Cumulative effect of changes in accounting principles	$ (2.05)	$ -	$ -
Net earnings (loss)	$ (3.11)	$ 0.83	$ 0.03

Pro forma earnings per share data related to accounting change (note 3)

(the accompanying notes are an integral part of these consolidated financial statements)

IMAX CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
IN ACCORDANCE WITH UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES
(In thousands of U.S. dollars)

	YEARS ENDED DECEMBER 31, 2000	1999	1998
CASH PROVIDED BY (USED IN):			
OPERATING ACTIVITIES			
Net earnings (loss)	$ (92,947)	$ 25,233	$ 1,800
Items not involving cash:			
Depreciation, amortization and write-downs (note 17)	50,628	25,110	45,415
Loss from equity-accounted investees (note 5)	4,811	683	6,763
Deferred income taxes	(5,300)	(24,249)	5,563
Impairment of long-term investments (note 10)	4,133	-	-
Extraordinary loss on early extinguishment of debt	-	-	2,095
Cumulative effect of changes in accounting principles (note 3)	61,110	-	-
Minority interest	-	1,207	1,895
Other	-	10	(259)
Changes in operating assets and liabilities (note 17)	(76,524)	(30,583)	(60,517)
Net cash (used in) provided by operating activities	(54,089)	(2,589)	2,755
INVESTING ACTIVITIES			
Acquisition of Digital Projection International, net of cash acquired	(900)	(25,724)	-
Acquisition of minority interest in Sonics Associates, Inc.	(295)	(12,740)	-
Net sale (purchase) of investments in marketable securities	81,503	(29,639)	(32,920)
Purchase of fixed assets	(28,782)	(22,708)	(14,021)
Increase in other assets	(6,190)	(17,402)	(3,982)
Net cash provided by (used in) investing activities	45,336	(108,213)	(50,923)
FINANCING ACTIVITIES			
Issue of 7.875% Senior notes due 2005	-	-	200,000
Repurchase of 10% Senior notes due 2001	-	-	(67,789)
Deferred charges on debt financing	-	-	(4,852)
Paid-in-capital on stock options granted	1,034	-	-
Class C preferred shares dividends paid	-	(365)	(386)
Common shares issued	1,442	2,235	2,632
Redemption of Class C preferred shares	-	-	(2,178)
Net cash provided by financing activities	2,476	1,870	127,427
Effects of exchange rate changes on cash	2,612	(61)	238
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR	(3,665)	(108,993)	79,497
Cash and cash equivalents, beginning of year	34,573	143,566	64,069
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 30,908	$ 34,573	$ 143,566

(the accompanying notes are an integral part of these consolidated financial statements)

IMAX CORPORATION

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
IN ACCORDANCE WITH UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES
(In thousands of U.S. dollars)

	NUMBER OF COMMON SHARES ISSUED AND OUTSTANDING	CAPITAL STOCK	RETAINED EARNINGS (DEFICIT)	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TOTAL SHAREHOLDERS' EQUITY	COMPREHENSIVE INCOME (LOSS)
BALANCE AT DECEMBER 31, 1997	29,115,418	$ 52,604	$ 28,642	$ (129)	$ 81,117	-
Issuance of common stock	362,966	2,632	-	-	2,632	-
Accrual of preferred dividends	-	-	(171)	-	(171)	-
Accretion of discount on preferred shares	-	-	(183)	-	(183)	-
Premium paid on early redemption of Class C Preferred shares	-	-	(652)	-	(652)	-
Net earnings	-	-	1,800	-	1,800	1,800
Foreign currency translation adjustments, net of income taxes of $nil	-	-	-	(97)	(97)	(97)
						$ 1,703
BALANCE AT DECEMBER 31, 1998	29,478,384	55,236	29,436	(226)	84,446	-
Issuance of common stock	279,504	2,235	-	-	2,235	-
Net earnings	-	-	25,233	-	25,233	25,233
Unrealized loss on available-for-sale security, net of income taxes of $nil	-	-	-	(867)	(867)	(867)
Foreign currency translation adjustments, net of income taxes of $nil	-	-	-	18	18	18
						$ 24,384
BALANCE AT DECEMBER 31, 1999	29,757,888	57,471	54,669	(1,075)	111,065	-
Issuance of common stock	293,626	1,631	-	-	1,631	-
Adjustment in paid-in-capital for stock options granted	-	1,034	-	-	1,034	-
Net loss	-	-	(92,947)	-	(92,947)	(92,947)
Net adjustment on available-for-sale security, net of income tax benefit of $123	-	-	-	586	586	586
Foreign currency translation adjustments, net of income taxes of $nil	-	-	-	894	894	894
BALANCE AT DECEMBER 31, 2000	30,051,514	$ 60,136	$ (38,278)	$ 405	$ 22,263	$ (91,467)

Components of accumulated other comprehensive income (loss) consist of :

	December 31, 2000	December 31, 1999	December 31, 1998
Foreign currency translation adjustments	$ 686	$ (208)	$ (226)
Unrealized gain (loss) on available-for-sale security	(281)	(867)	-
Accumulated other comprehensive income (loss)	$ 405	$ (1,075)	$ (226)

(the accompanying notes are an integral part of these consolidated financial statements)

IMAX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
IN ACCORDANCE WITH UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES
(Tabular amounts in thousands of U.S. dollars unless otherwise stated)

1. DESCRIPTION OF THE BUSINESS

IMAX Corporation provides a wide range of products and services to the network of IMAX theaters. The principal activities of the Company are:

- the design, manufacture and marketing of proprietary projection and sound systems for IMAX theaters principally owned and operated by institutional and commercial customers located in 28 countries as of December 31, 2000;

- the development, production, post-production and distribution of films shown in the IMAX theater network;

- the operation of certain IMAX theaters located primarily in the United States;

- the provision of other services to the IMAX theater network including designing and manufacturing IMAX camera equipment for rental to filmmakers and providing ongoing maintenance services for the IMAX projection and sound systems; and

- the design, manufacture and marketing of digital projection systems following the acquisition of Digital Projection International on September 3, 1999.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could be materially different from these estimates. Significant accounting policies are summarized as follows:

(a) BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its subsidiaries.

(b) INVESTMENTS

Investments in marketable debt and equity securities categorized as available-for-sale securities are carried at fair value with unrealized gains or losses included in other comprehensive income (loss). Investments in marketable debt securities categorized as held-to-maturity securities are carried at amortized cost. Investments in joint ventures are accounted for by the equity method of accounting under which consolidated net earnings include the Company's share of earnings or losses of the investees. A loss in value of an investment, which is other than a temporary decline, is recognized as a charge to consolidated net earnings.

(c) CASH AND CASH EQUIVALENTS

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

(d) INVENTORIES

Inventories are carried at the lower of cost, determined on a first-in, first-out basis, and net realizable value. Finished goods and work-in-process include the cost of raw materials, direct labor and an applicable share of manufacturing overhead costs.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

(e) FILM ASSETS

Costs of producing films, including capitalized interest, and costs of acquiring film rights are recorded as film assets. The film assets are amortized using the individual-film forecast method as prescribed by AICPA Statement of Position 00-2, "Accounting by Producers or Distributors of Films" ("SOP 00-2") whereby film costs are amortized in the same ratio that current gross revenues bear to anticipated total future gross revenues. Estimates of anticipated total gross revenues are reviewed regularly by management and revised where necessary to reflect more current information.

The recoverability of film costs is dependent upon commercial acceptance of the films. If events or circumstances indicate that the fair value of a film is less than the unamortized film costs, the film is written down to fair value by a charge to consolidated net earnings.

Film exploitation costs, including advertising costs, are expensed as incurred.

(f) FIXED ASSETS

Fixed assets are stated at cost and are depreciated on a straight-line basis over their estimated useful lives as follows:

Projection equipment	-	10 to 15 years
Camera equipment	-	5 to 10 years
Buildings	-	20 to 25 years
Office and production equipment	-	3 to 5 years
Leasehold improvements	-	Over the term of the underlying leases

(g) OTHER ASSETS

Other assets include an investment in Mainframe Entertainment, Inc. ("Mainframe"), patents, trademarks and other intangibles, investments in equity-accounted investees, capitalized computer software, defined pension plan intangibles and deferred charges on debt financing.

Patents, trademarks and other intangibles are recorded at cost and are amortized on a straight-line basis over estimated useful lives ranging from 10 to 13 years.

Application development costs of computer software for internal use by the Company are capitalized. Amortization commences when the software is available for use, on a straight-line basis over their estimated useful lives ranging from 3 to 5 years.

Costs of debt financing are deferred and amortized over the term of debt.

(h) GOODWILL

Goodwill represents the excess of the purchase price of acquired businesses over the fair value of net assets acquired. Goodwill is amortized on a straight-line basis over its estimated life ranging from 20 years to 25 years. The carrying value of goodwill is periodically reviewed by the Company and impairments are recognized in earnings when the undiscounted expected future operating cash flows derived from the acquired businesses are less than the carrying value.

(i) DEFERRED REVENUE

Deferred revenue comprises cash received under system contracts, film production contracts, film exhibition contracts and other contracts not yet recognized as revenue.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

(j) INCOME TAXES

Income taxes are accounted for under the asset and liability method whereby deferred tax assets and liabilities are recognized for the expected future tax consequences of events that have been recognized in the financial statements or tax returns. Deferred tax assets and liabilities are measured using tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period in which the change occurs. Investment tax credits are recognized as a reduction of income tax expense in the year the credit is earned.

(k) REVENUE RECOGNITION

SALES-TYPE LEASES OF THEATER SYSTEMS

Theater system leases that transfer substantially all of the benefits and risks of ownership to customers are classified as sales-type leases as a result of meeting the criteria established by Statement of Financial Accounting Standards No. 13 ("FAS 13"). Lease payments include initial rentals, which are fixed in amount, and additional rentals, which are equal to the greater of a percentage of ongoing theater admissions revenue and a minimum annual amount. "Minimum lease payments" include the initial rentals and minimum additional rental amounts. Additional rentals in excess of minimum annual amounts are recognized as revenue when the contracted portion of theater admissions due to the Company reported by theater operators exceed the minimum amounts, provided that collection is reasonably assured.

Cash installments of initial rents received in advance of the time at which installation is complete are recorded as deferred revenue. The associated costs of constructing the systems not yet recognized as revenue are included in inventories.

As described in note 3, effective January 1, 2000, revenue associated with the present value of minimum lease payments is recognized when installation of the theater system is complete. Prior to January 1, 2000, the Company recognized such revenue at the time of delivery of the theater system.

OPERATING LEASES OF THEATER SYSTEMS

Leases that do not transfer substantially all of the benefits and risks of ownership to the customer are classified as operating leases. For these leases, minimum lease payments are recognized as revenue on a straight-line basis over the lease term. Additional rentals in excess of minimum annual amounts are recognized as revenue when the contracted portion of theater admissions due to the Company reported by theater operators exceed the minimum amounts, provided that collection is reasonably assured.

SALES OF THEATER SYSTEMS

Revenue from the sales of theater systems is recognized when all of the following criteria are met: persuasive evidence of an agreement exists; the price is fixed or determinable; title passes to the customer; installation of the system is complete; and collection is reasonably assured. Prior to January 1, 2000, the Company recognized such revenue on the same basis, except that the time of delivery was used instead of the time when installation was complete.

SALE OF DIGITAL PROJECTION SYSTEMS

Revenue from the sales of digital projection systems is recognized when all of the following criteria are met: persuasive evidence of an agreement exists; the price is fixed or determinable; the system is delivered; title passes to the customer; and collection is reasonably assured.

MAINTENANCE AND OTHER SERVICES

Maintenance revenues are recognized on a straight-line basis over the maintenance period. Revenues from post-production film services are recognized when the service has been completed. Revenues on camera rentals are recognized over the period the camera is used. Theater admission revenues are recognized on the date of the performance. Other service revenues are recognized when the services are performed.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

FILM PRODUCTION AND DISTRIBUTION

In accordance with SOP 00-2, the Company recognizes revenue from licensing of films when the film is complete and has been delivered, the license period has begun, the fee is fixed or determinable and collection is reasonably assured. Where the license fees are based on a share of the customer's revenue, and all other revenue recognition criteria mentioned in the preceding sentence are met, the Company recognizes revenue as the customer exhibits the film.

(l) RESEARCH AND DEVELOPMENT

Research and development expenditures are expensed as incurred.

(m) FOREIGN CURRENCY TRANSLATION

Monetary assets and liabilities of the Company's operations, which are denominated in currencies other than the functional currency, are translated into the functional currency at the exchange rates prevailing at the end of the period. Non-monetary items are translated at historical exchange rates. Revenue and expense transactions are translated at exchange rates prevalent at the transaction date. Such exchange gains and losses are included in the determination of net earnings in the period in which they arise. For foreign subsidiaries with functional currencies other than the U.S. dollar, all assets and liabilities are translated at the year end exchange rates and all revenue and expense items are translated at the average rate for the period, with exchange differences arising on translation accumulated in other comprehensive income (loss).

(n) STOCK-BASED COMPENSATION

The Company accounts for stock-based compensation under the intrinsic value method set out in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and its related interpretations and has made pro forma disclosures of net earnings and earnings per share in note 14 as if the methodology prescribed by Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation", had been adopted.

(o) DEFINED PENSION PLAN

Defined pension plan liabilities are recorded as the excess of the accumulated benefit obligation over the fair value of plan assets. Assumptions used in computing benefit obligations are regularly reviewed by management and adjusted to market conditions. Prior service costs resulting from plan inception or amendments are amortized over the expected future service of the employees while current service costs are expensed when earned.

3. CHANGES IN ACCOUNTING POLICIES

(a) SEC STAFF ACCOUNTING BULLETIN NO. 101, "REVENUE RECOGNITION IN FINANCIAL STATEMENTS"

In preparing its financial statements for the year ended December 31, 2000, the Company reviewed its revenue recognition accounting policies in the context of SEC Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" ("SAB 101"), which is applicable for the Company's quarter ended December 31, 2000. In accordance with the interpretive guidance of SAB 101, the Company, effective January 1, 2000, recognizes revenue on theater systems, whether pursuant to sales-type leases or sales, at the time that installation is complete. Prior to January 1, 2000, the Company recognized revenue from sales-type leases and sales of theater systems at the time of delivery.

The effect of applying this change in accounting principle is a fiscal 2000 non-cash charge of $54.5 million, net of income taxes of $33.4 million, or $1.83 per share, representing the cumulative impact on retained earnings as at December 31, 1999.

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3. CHANGE IN ACCOUNTING POLICIES - (CONTINUED)

The following are pro forma amounts as if SAB 101 had been applied during all years presented:

	2000	1999	1998
Revenue	$ 219,472	$ 166,617	$ 144,437
Earnings (loss) before extraordinary item	$ (31,837)	$ 7,655	$ (15,487)
Basic earnings (loss) per share	$ (1.07)	$ 0.26	$ (0.56)
Diluted earnings (loss) per share	$ (1.07)	$ 0.25	$ (0.56)
Net Earnings (loss)	$ (31,837)	$ 7,655	$ (17,582)
Basic earnings (loss) per share	$ (1.07)	$ 0.26	$ (0.63)
Diluted earnings (loss) per share	$ (1.07)	$ 0.25	$ (0.63)

(b) AICPA STATEMENT OF POSITION 00-2, "ACCOUNTING BY PRODUCERS OR DISTRIBUTORS OF FILMS"

Effective January 1, 2000, the Company adopted SOP 00-2. Prior to January 1, 2000, revenues associated with the licensing of films were recognized in accordance with Statement of Financial Accounting Standard No. 53, "Financial Reporting by Producers and Distributors of Motion Picture Films" ("FAS 53") and exploitation costs were capitalized and amortized. As a result of adopting SOP 00-2, the Company has recorded a non-cash charge of $6.6 million, net of income taxes of $3.9 million, or $0.22 per share, to fiscal 2000 earnings, representing the cumulative impact on retained earnings as at December 31, 1999.

4. ACQUISITIONS

(a) On September 3, 1999, the Company acquired all of the common and preferred shares of Digital Projection International, ("DPI") a designer and manufacturer of digital image delivery systems. The transaction has been accounted for as a purchase and the assets acquired and the liabilities assumed were recorded at their estimated fair market value. The purchase price of approximately $27.3 million was paid with approximately $25.5 million of cash and 100,000 shares of the Company, valued at approximately $1.8 million, to be issued to former shareholders of DPI over the next five years. In addition, the purchase price was subject to a valuation adjustment with the vendors to a maximum of an additional $1.5 million, for which funds were placed in escrow by the Company.

The purchase price has been allocated to assets and liabilities acquired to record them at their estimated fair values at September 3, 1999 as follows:

Cash	$ 1,526
Accounts receivable	3,867
Inventory	6,654
Fixed assets	3,056
Other assets	4,000
Accounts payable and accrued liabilities	(12,013)
Deferred income tax	1,783
Goodwill	18,377
	$ 27,250

In 2000, the Company recorded an increase of $2.7 million to goodwill in finalizing the purchase allocation and the additional amounts arising under the escrow arrangements.

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4. ACQUISITION - (CONTINUED)

(b) On October 1, 1999, the Company acquired the remaining 49% interest of Sonics Associates, Inc. ("Sonics"), not owned by the Company. Sonics is the provider of sound systems for the Company's theater systems. The purchase price of $12.7 million in cash was paid to Sonics management to acquire its minority interest which had a carrying value of $6.0 million and effecting an increase in goodwill of $6.7 million. The purchase agreement also provides for an additional earn out amount to be paid to the former shareholders over the period 2000 to 2004.

The Company increased goodwill in 2000 by $295,000 to account for the guaranteed earn-out amount paid to the former shareholders. In 2000, no compensation costs were recognized for the earn-out.

5. RATIONALIZATION OF MOTION SIMULATION AND ATTRACTIONS BUSINESS

In 1998, the Company rationalized its motion simulation and attraction business and recorded costs and expenses of $13.3 million as follows: a) amortization of intangibles of $3.3 million for the write-off of the goodwill; b) costs and expenses of $1.4 million for the write-down of three participating joint venture operations, $3.7 million for the write-down of film assets, $768,000 for the write-down of inventory and $1.1 million for the write-down of fixed assets, and $950,000 for other liabilities; c) selling, general and administrative expense of $1.7 million related to a provision for doubtful accounts and $201,000 for severance. In addition, in 1999 the Company recorded a loss from equity-accounted investees of $543,000 for the write-down of the Company's interest in the joint venture and a deferred income tax asset valuation adjustment of $875,000.

Included in loss from equity-accounted investees for 1998 is a charge of $4.2 million to write-down the Company's investment in the Forum Ride Associates joint venture.

The Company has guaranteed up to $4.0 million of a term loan undertaken by the Forum Ride Associates joint venture. The term loan, which matures in January 2009, is collateralized by the assets of the joint venture. In 2000, the Company recorded a provision of $4.0 million representing the estimated funding required under its debt guarantee.

6. LEASES

(a) NET INVESTMENT IN LEASES

The Company enters into sales-type leases, for which the customer makes initial rental payments and additional rental payments with contracted minimums, which are generally indexed with inflation. The Company's net investment in sales-type leases comprises:

	2000	1999
Gross minimum lease amounts receivable	$ 174,124	$ 211,838
Accumulated allowance for uncollectible amounts	(6,813)	(302)
Gross minimum lease amounts receivable, net of allowance	167,311	211,536
Residual value of equipment	2,223	6,325
Unearned finance income	(92,441)	(80,856)
Present value of net minimum lease amounts receivable	$ 77,093	$ 137,005

(b) RENTAL AMOUNTS

Revenue includes annual rental amounts comprised of the following:

	2000	1999	1998
Minimum rental amounts on operating leases	$ 879	$ 875	$ 910
Additional rentals in excess of minimum amounts, on operating and sales-type leases	4,611	5,646	4,100
Finance income on sales-type leases	6,607	5,228	5,144
	$ 12,097	$ 11,749	$ 10,154

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6. LEASES - (CONTINUED)

The estimated amount of gross minimum rental amounts receivable from operating and sales-type leases at December 31, 2000, for each of the next five years is as follows:

2001	$ 11,765
2002	12,984
2003	12,891
2004	13,019
2005	11,805
Thereafter	114,750
	$ 177,214

(C) PROVISION FOR UNCOLLECTIBLE AMOUNTS

Included in selling, general and administrative expenses for 2000 is a provision for uncollectible amounts of $11.5 million (1999 - $nil, 1998 - $nil) for net investment in leases and related accounts receivable.

7. INVENTORIES

	2000	1999
Raw materials	$ 16,037	$ 16,831
Work-in-process	11,963	11,974
Finished goods	41,910	2,336
	$ 69,910	$ 31,141

Finished goods at December 31, 2000 include $29.6 million in theater systems delivered to customers where installation was not complete.

8. FILM ASSETS

	2000	1999
Completed and released films, net of accumulated amortization	$ 12,884	$ 27,775
Development costs	1,452	2,301
Films in production	15,413	8,377
	$ 29,749	$ 38,453

Included in costs and expenses for 2000 and 1998 are charges of $8.6 million and $22.7 million, respectively, to reflect write-downs of unamortized film costs.

Included in net loss for 2000 is a pre-tax charge of $10.5 million as a result of the Company's adoption of SOP 00-2 (see note 3).

The percentage of unamortized film costs for released films that the Company expects to amortize within three years from December 31, 2000 amounts to 95%. The amount of accrued participation liabilities that the Company expects to pay during 2001 is $979,000.

Film assets include $843,000 of interest capitalized in 2000 (1999 - $204,000; 1998 - $nil).

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9. FIXED ASSETS

2000	COST	ACCUMULATED DEPRECIATION	NET BOOK VALUE
Equipment leased or held for use			
Projection equipment	$ 44,375	$ 12,547	$ 31,828
Camera equipment	10,447	7,388	3,059
	54,822	19,935	34,887
Assets under construction	3,936	-	3,936
Other fixed assets			
Land	1,949	-	1,949
Buildings	16,653	3,571	13,082
Office and production equipment	34,863	22,163	12,700
Leasehold improvements	32,116	8,791	23,325
	85,581	34,525	51,056
	$ 144,339	$ 54,460	$ 89,879

1999	COST	ACCUMULATED DEPRECIATION	NET BOOK VALUE
Equipment leased or held for use			
Projection equipment	$ 21,085	$ 10,313	$ 10,772
Camera equipment	13,760	3,749	10,011
	34,845	14,062	20,783
Assets under construction	5,638	-	5,638
Other fixed assets			
Land	2,431	-	2,431
Buildings	16,536	2,949	13,587
Office and production equipment	27,271	15,487	11,784
Leasehold improvements	13,610	936	12,674
	59,848	19,372	40,476
	$ 100,331	$ 33,434	$ 66,897

Fixed assets include $550,000 of interest capitalized in 2000 (1999 - $550,000, 1998 - $nil).

Included in costs and expenses for 2000 is an impairment provision of $2.6 million on camera equipment. The impairment results from technological developments and declining rental revenues. The camera equipment was written down to the discounted expected future cash flows from rentals. In 2000, the Company has also recognized in costs and expenses an impairment provision of $8.6 million on fixed assets used in certain under-performing owned and operated theaters. These fixed assets were written down to estimated fair value based on the discounted expected future cash flows of the theaters.

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10. OTHER ASSETS

	2000	1999
Investment in Mainframe Entertainment, Inc.	$ 7,679	$ 10,732
Patents, trademarks and other intangibles	6,479	5,872
Investments in equity-accounted investees	1,462	1,797
Computer software	1,135	1,353
Deferred charges on debt financing	4,717	5,930
Pension asset, representing unrecognized prior service costs	8,489	-
Other assets	2,898	2,548
	$ 32,859	$ 28,232

The investment in Mainframe consists of a 19% investment in common shares and an investment in 6% convertible debentures maturing June 1, 2004.

Included in net loss for 2000 is a charge of $3.1 million to reflect a write-down for the impairment of the common share investment in Mainframe and a charge of $1.0 million to reflect a write-down of other investments.

11. SENIOR NOTES DUE 2005

In December, 1998, the Company issued $200 million of Senior Notes due December 1, 2005 bearing interest at 7.875% per annum with interest payable in arrears on June 1 and December 1 of each year, commencing June 1, 1999. The 7.875% Senior Notes are the senior unsecured obligation of the Company, ranking pari passu in right of payment to all existing and future senior unsecured and unsubordinated indebtedness of the Company and senior in right of payment to any subordinated indebtedness of the Company.

The 7.875% Senior Notes Indenture contains covenants that, among other things, limit the ability of the Company to incur additional indebtedness, pay dividends or make other distributions, make certain investments, create certain liens, engage in certain transactions with affiliates, engage in sale and leaseback transactions, engage in mergers, consolidations or the transfer of all or substantially all of the assets of the Company. The 7.875% Senior Notes are subject to redemption by the Company, in whole or in part, at any time on or after December 1, 2002, at redemption prices expressed as percentages of the principal amount for each 12-month period commencing December 1 of the years indicated: 2002 - 103.938%, 2003 - 101.969%, 2004 and thereafter - 100.000% together with interest accrued thereon to the redemption date. Until December 1, 2001, up to 35% of the aggregate principal amount of the Senior Notes may be redeemed by the Company using the net proceeds of a public offering of common shares of the Company or certain other equity placements, at a redemption price of 107.875%, together with accrued interest thereon. The Company may also redeem the Senior Notes, in whole or in part, at any time prior to December 1, 2002, at a redemption price equal to 100% of the principal amount plus a "make-whole premium" calculated in reference to the redemption price on the first date that the Senior Notes may be redeemed by the Company plus accrued interest to, but excluding, the redemption date. If certain changes result in the imposition of withholding taxes under Canadian law, the 7.875% Senior Notes are subject to redemption at the option of the Company, in whole but not in part, at a redemption price of 100% of the principal amount thereof plus accrued interest to the date of redemption. In the event of a change in control, holders of the Senior Notes may require the Company to repurchase all or part of the Senior Notes at a price equal to 101% of the principal amount thereof plus accrued interest to the date of repurchase.

Interest expense on the 7.875% Senior Notes amounted to $15.8 million in 2000 (1999 - $15.8 million, 1998 - $1.2 million).

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12. SENIOR NOTES DUE 2001

In 1998, the Company redeemed its 10% Senior Notes due 2001 for cash of $67.8 million, which resulted in an extraordinary pre-tax loss of $3.7 million. Interest expense on the 10% Senior Notes amounted to $6.7 million in 1998.

13. CONVERTIBLE SUBORDINATED NOTES

In April 1996, the Company issued $100 million of Convertible Subordinated Notes due April 1, 2003 bearing interest at 5.75% payable in arrears on April 1 and October 1. The Subordinated Notes, subordinate to present and future senior indebtedness of the Company, are convertible into common shares of the Company at the option of the holder at a conversion price of $21.406 per share (equivalent to a conversion rate of 46.7154 shares per $1,000 principal amount of Subordinated Notes) at any time prior to maturity.

The Subordinated Notes are redeemable at the option of the Company on or after April 1, 1999 at redemption prices expressed as percentages of the principal amount (2001 - 101.643%, 2002 - 100.821%) plus accrued interest. The Subordinated Notes may only be redeemed by the Company between April 1, 1999 and April 1, 2001 if the last reported market price of the Company's common shares is equal to or greater than $30 per share for any 20 of the 30 consecutive trading days prior to the notice of redemption. The Subordinated Notes may be redeemed at any time on or after April 1, 2001 without limitation.

Interest expense related to the Convertible Subordinated Notes was $5.8 million in each of the years ended December 31, 2000, 1999 and 1998.

14. CAPITAL STOCK

(a) AUTHORIZED

The authorized capital of the Company consists of an unlimited number of common shares and an unlimited number of Class C preferred shares issuable in two series.

The following is a summary of the rights, privileges, restrictions and conditions of each of the classes of shares.

REDEEMABLE CLASS C PREFERRED SHARES, SERIES 1

The holders of Class C Series 1 preferred shares are entitled to a cumulative dividend at the rate of 7% to 10% per annum under certain conditions on the issue price of Canadian $100 per share.

Except as otherwise required by law, the holders of Class C Series 1 preferred shares are not entitled to vote at any meeting of the shareholders.

Notice of redemption for all outstanding Class C Series 1 preferred shares was delivered on December 29, 1998 and all outstanding shares were redeemed on January 21, 1999.

REDEEMABLE CLASS C PREFERRED SHARES, SERIES 2

The Class C Series 1 preferred shares may be converted at any time in whole upon a resolution of the directors of the Company into the same number of Class C Series 2 preferred shares. The terms of the Series 2 shares shall be identical to the Class C Series 1 shares except that the holders of Class C Series 2 shares will be entitled to such number of votes as the directors determine subject to a maximum of six percent of the votes attaching to all voting shares of the Company outstanding immediately following the conversion.

COMMON SHARES

The holders of common shares are entitled to receive dividends if, as and when declared by the directors of the Company, subject to the rights of the holders of any other class of shares of the Company entitled to receive dividends in priority to the common shares.

The holders of the common shares are entitled to one vote for each common share held at all meetings of the shareholders.

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14. CAPITAL STOCK- (CONTINUED)

(b) CHANGES DURING THE PERIOD

In 2000, the Company issued 281,300 common shares pursuant to the exercise of stock options for cash proceeds of $1.4 million, 10,658 common shares with a value of $189,000 related to the DPI acquisition (see note 4) and 1,668 common shares under the terms of an employment contract with an ascribed value of $28,000.

In 1999, the Company issued 277,838 common shares pursuant to the exercise of stock options for cash proceeds of $2.2 million and 1,666 common shares were issued under the terms of an employment contract with an ascribed value of $28,000.

In 1998, the Company issued 361,300 common shares pursuant to the exercise of stock options for cash proceeds of $2.6 million and 1,666 common shares were issued under the terms of an employment contract with an ascribed value of $27,000.

(c) SHARES HELD BY A SUBSIDIARY

Issued common shares held by a subsidiary of the Company amounted to nil at December 31, 2000 (1999 - 148,000, 1998 - 213,000). During 2000, 148,000 (1999 - 65,000, 1998 - nil) common shares held by this subsidiary were sold to a former employee of the Company in connection with the exercise of a stock option grant for cash proceeds of $32,000 (1999 - $14,000, 1998 - $nil).

(d) STOCK OPTIONS

The Company has reserved a total of 8,522,550 common shares for future issuance as follows:

(i) 166,744 common shares have been reserved for issuance pursuant to stock options granted to a former officer of the Company, at an exercise price equivalent to Canadian $0.32 per share and expire on September 1, 2002. These options are fully vested.

(ii) 15,008 common shares have been reserved for issuance pursuant to stock options granted at an exercise price equivalent to Canadian $1.59 per share, which options are fully vested and expire on April 8, 2004.

(iii) 8,340,798 common shares remain reserved for issuance under the Stock Option Plan, of which options in respect of 8,071,072 common shares are outstanding at December 31, 2000. The options granted under the Stock Option Plan generally vest over a five-year period and expire 10 years from the date granted. At December 31, 2000, options in respect of 3,269,728 common shares were vested and exercisable.

	NUMBER OF SHARES			WEIGHTED AVERAGE EXERCISE PRICE PER SHARE		
	2000	1999	1998	2000	1999	1998
Options outstanding, beginning of year	5,157,400	3,327,300	2,005,600	$ 20.18	$ 19.38	$ 14.55
Granted	3,224,972	2,225,000	1,815,500	24.25	20.32	22.58
Exercised	(131,300)	(201,638)	(335,900)	9.06	10.82	7.14
Forfeited	(180,000)	(193,262)	(157,900)	26.17	18.09	19.56
Options outstanding, end of year	8,071,072	5,157,400	3,327,300	21.91	20.18	19.38

The following table summarizes certain information in respect of options outstanding under the Stock Option Plan as at December 31, 2000:

RANGE OF EXERCISE PRICES PER SHARE	NUMBER OF SHARES OUTSTANDING	NUMBER OF SHARES VESTED	AVERAGE EXERCISE PRICE PER SHARE	AVERAGE REMAINING TERM
$ 5.00 - $ 9.99	271,300	249,300	$ 6.56	4 1/2 Years
$ 10.00 - $ 14.99	46,000	32,000	11.82	5 Years
$ 15.00 - $ 19.99	1,385,100	1,187,300	17.55	8 Years
$ 20.00 - $ 24.99	4,605,872	1,519,028	22.28	8 1/2 Years
$ 25.00 - $ 28.99	1,762,800	282,100	27.00	9 Years
Total	8,071,072	3,269,728	21.91	8 1/2 Years

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14. CAPITAL STOCK - (CONTINUED)

(e) EARNINGS PER SHARE

	2000	1999	1998
Net earnings (loss) applicable to common shareholders:			
Earnings (loss) before extraordinary loss and cumulative effect of changes in accounting principles	$ (31,837)	$ 25,233	$ 3,895
Less: accrual of preferred dividends	-	-	(171)
accretion of discount of preferred shares	-	-	(183)
premium paid on early redemption of preferred shares	-	-	(652)
	(31,837)	25,233	2,889
Extraordinary loss on the early redemption of debt, net of income tax benefit of $1,588	-	-	(2,095)
Cumulative effect of changes in accounting principles, net of income tax benefit of $37,286	(61,110)	-	-
	$ (92,947)	$ 25,233	$ 794
Weighted average number of common shares:			
Issued and outstanding at beginning of year	29,757,888	29,478,384	29,115,418
Weighted average number of shares issued in the year	116,227	137,404	165,175
Weighted average number of shares used in computing basic earnings (loss) per share	29,874,115	29,615,788	29,280,593
Assumed exercise of stock options, net of shares assumed	-	897,590	1,192,975
Assumed conversion of Convertible Subordinated Notes	-	1,167,855	-
Weighted average number of shares used in computing diluted earnings (loss) per share	29,874,115	31,681,233	30,473,568

The calculation of diluted loss per share for 2000 excludes options to purchase common shares of stock which were outstanding during 2000, and common shares issuable upon conversion of the Convertible Subordinated Notes.

If the methodology prescribed by Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation", had been adopted by the Company, pro forma results would have been as follows:

	2000	1999	1998
Net earnings (loss)	$ (99,314)	$ 20,362	$ (2,828)
Earnings (loss) per share:			
Basic	$ (3.32)	$ 0.69	$ (0.13)
Diluted	$ (3.32)	$ 0.64	$ (0.13)

The weighted average fair value of common share options granted in 2000 at the time of grant is $24,108,000 (1999 - $14,672,000, 1998 - $11,707,000). The fair value of common share options granted is estimated at the grant date using the Black-Scholes option-pricing model with the following assumptions: dividend yield of 0%, a risk free interest rate of 6% (1999 - 6%, 1998 - 5%), expected life of five years and expected volatility of 40% through October 12, 2000 and 200% thereafter due to the significant fluctuations in the stock price.

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15. COMMITMENTS

(a) Total minimum annual rental payments under operating leases for premises are as follows:

2001	$ 5,988
2002	5,765
2003	5,614
2004	5,368
2005	2,743
Thereafter	17,924
	$ 43,402

Rent expense was $5.5 million for 2000 (1999 - $2.9 million, 1998 - $1.5 million).

(b) The Company is party to an agreement with the Toronto-Dominion Bank with respect to a working capital facility. The Bank has made available to the Company a revolving loan in an aggregate amount up to Canadian $10 million or its U.S. dollar equivalent. Loans made under the working capital facility bear interest at the prime rate of interest per annum for Canadian dollar denominated loans and, for U.S. dollar denominated loans, at the U.S. base rate of interest established by the Bank. These loans are repayable upon demand. At December 31, 2000, the Company had Canadian $9.4 million or its U.S. dollar equivalent in letters of credit outstanding and Canadian $580,000 or the equivalent U.S. dollars available for use under this facility. No commitment fees are payable on this facility.

The Company's primary operating headquarters is subject to a collateral charge in favor of The Toronto-Dominion Bank in connection with the working capital facility.

16. INCOME TAXES

(a) Earnings (loss) before income taxes and minority interest by tax jurisdiction comprise the following:

	2000	1999	1998
Canada	$ (31,884)	$ 36,774	$ 16,481
United States	(8,008)	6,693	(5,439)
Japan	338	498	1,475
Other	(5,521)	(990)	3,083
	$ (45,075)	$ 42,975	$ 15,600

(b) The recovery of (provision for) income taxes related to income before extraordinary item and cumulative changes in accounting principles comprises the following:

	2000	1999	1998
Current:			
Canada	$ 8,167	$ (38,719)	$ (1,647)
Foreign	(229)	(2,065)	(2,600)
	7,938	(40,784)	(4,247)
Deferred:			
Canada	1,915	24,874	(6,944)
Foreign	3,385	(625)	1,381
	5,300	24,249	(5,563)
	$ 13,238	$ (16,535)	$ (9,810)

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16. INCOME TAXES - (CONTINUED)

(c) The recovery of (provision for) income taxes before extraordinary item and cumulative changes in accounting principles differs from the amount that would have resulted by applying the combined Canadian federal and Ontario provincial statutory income tax rates (43.95%) to earnings as described below:

	2000	1999	1998
Income tax recovery (expense) at combined statutory rates	$ 19,810	$ (19,175)	$ (6,961)
(Decrease) increase resulting from:			
Non-deductible expenses, including amortization of goodwill	(3,800)	(1,901)	(2,727)
Manufacturing and processing credits deduction	(2,841)	3,832	159
Large corporations tax	(405)	(404)	(235)
Income tax at different rates in foreign and other provincial jurisdictions	(653)	684	(266)
Investment tax credits and other	1,127	429	220
Recovery of (provision for) income taxes as reported	$ 13,238	$ (16,535)	$ (9,810)

(d) The deferred income tax asset (liability) consists of:

	2000	1999
Net operating loss carryforwards	$ 4,672	$ 2,021
Investment tax credit carryforwards	1,353	1,977
Write-downs of other assets	2,590	1,688
Excess book over tax depreciation and amortization of fixed assets	43,400	47,474
Other	5,635	2,624
Total deferred tax assets	57,650	55,784
Valuation allowance	(4,265)	(2,927)
	53,385	52,857
Income recognition on net investment in leases	(7,040)	(47,944)
Total deferred tax liabilities	(7,040)	(47,944)
Net deferred tax asset	$ 46,345	$ 4,913

Net operating loss carryforwards amounting to $11.5 million can be carried forward to reduce taxable income through to 2015. Investment tax credits of $1.4 million can be carried forward to reduce income taxes payable through to 2010.

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17. CONSOLIDATED STATEMENTS OF CASH FLOWS

	2000	1999	1998
(a) Changes in operating assets and liabilities were as follows:			
Decrease (increase) in:			
Accounts receivable	$ 9,115	$ (7,904)	$ (2,363)
Net investment in leases	(9,258)	(34,097)	(40,900)
Inventories	(16,997)	(5,671)	2,476
Prepaid expenses	(1,939)	1,145	(1,635)
Film assets	(19,665)	(18,051)	(21,192)
Increase (decrease) in:			
Accounts payable	4,889	3,458	2,969
Accrued liabilities	8,469	(5,338)	5,933
Deferred revenue	(8,553)	3,079	(5,618)
Income taxes payable	(42,585)	32,796	(187)
	$ (76,524)	$ (30,583)	$ (60,517)
(b) Cash payments made during the year on account of:			
Income taxes	$ 33,613	$ 7,464	$ 4,106
Interest	$ 21,500	$ 21,369	$ 14,597
(c) Depreciation, amortization and write-downs are in respect of the following:			
Film assets	$ 17,948	$ 13,595	$ 28,478
Fixed assets	22,283	5,443	8,459
Goodwill and intangibles	4,202	2,585	5,948
Deferred financing costs	1,213	1,219	935
Other	4,982	2,268	1,595
	$ 50,628	$ 25,110	$ 45,415

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18. SEGMENTED AND OTHER INFORMATION

The Company has four reportable segments: IMAX systems, digital projection systems, films and other. The IMAX systems segment designs, manufactures, sells or leases and maintains IMAX theater projection systems. The digital projection systems segment designs, manufactures and sells digital projectors to the staging, rental and display advertising sector. The film segment produces and distributes films, and performs film post-production. The other segment includes camera rentals and theater operations. The accounting policies of the segments are the same as those described in note 2. Segment performance is evaluated based on gross margin less selling, general and administrative expenses, research and development expenses, amortization and loss from equity-accounted investees. Inter-segment transactions are not significant.

(a) OPERATING SEGMENTS

	2000	1999	1998
REVENUE			
IMAX systems	$ 113,226	$ 126,826	$ 140,874
Digital projection systems	46,356	10,999	-
Films	41,711	47,227	30,824
Other	18,179	18,783	18,657
Total	$ 219,472	$ 203,835	$ 190,355
EARNINGS (LOSS) FROM OPERATIONS			
IMAX systems	$ 38,660	$ 70,403	$ 78,145
Digital projection systems	(2,886)	(562)	-
Films	(13,734)	244	(16,458)
Other	(23,321)	(1,979)	(18,053)
Corporate overhead	(19,936)	(14,232)	(19,296)
Total	$ (21,217)	$ 53,874	$ 24,338
DEPRECIATION, AMORTIZATION AND WRITE-DOWNS			
IMAX systems	$ 8,187	$ 5,741	$ 7,572
Digital projection systems	2,088	464	-
Films	19,810	14,044	28,646
Other and corporate	20,543	4,861	9,197
Total	$ 50,628	$ 25,110	$ 45,415
PURCHASE OF FIXED ASSETS			
IMAX systems	$ 3,600	$ 9,934	$ 4,547
Digital projection systems	1,139	111	-
Films	15,147	5,778	194
Other	8,896	6,885	9,280
Total	$ 28,782	$ 22,708	$ 14,021
ASSETS			
IMAX systems	$ 222,119	$ 254,940	$ 204,349
Digital projection systems	55,852	40,678	-
Films	68,609	65,149	49,048
Other	38,262	47,099	26,092
Corporate	107,258	130,371	210,602
Total	$ 492,100	$ 538,237	$ 490,091

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(b) GEOGRAPHIC INFORMATION

Theater system revenue, maintenance, film distribution and film post-production revenue by geographic area are based on the location of the theater, while the location of the customer determines the geographic allocation of other revenue:

REVENUE

	2000	1999	1998
Canada	$ 8,454	$ 15,289	$ 22,037
United States	113,692	106,469	79,494
Europe	54,397	37,624	45,680
Japan	5,814	11,144	12,454
Rest of World	37,115	33,309	30,690
Total	$ 219,472	$ 203,835	$ 190,355

LONG-LIVED ASSETS

	2000	1999	1998
Canada	$ 163,582	$ 175,990	$ 134,740
United States	94,385	83,469	49,888
Europe	51,039	63,405	30,012
Japan	5,059	4,344	4,820
Rest of World	12,545	16,998	10,727
Total	$ 326,610	$ 344,206	$ 230,187

(c) REVENUE AND COSTS AND EXPENSES

	2000	1999	1998
Revenue:			
Products	$ 167,834	$ 152,815	$ 148,492
Services	51,638	51,020	41,863
Total revenue	$ 219,472	$ 203,835	$ 190,355
Costs and expenses:			
Products	$ 102,512	$ 66,540	$ 74,461
Services	57,486	39,701	37,323
Total costs and expenses	$ 159,998	$ 106,241	$ 111,784

Product revenue includes sales and sales-type leases of theater systems, sales of digital projection systems, film distribution and other products. Service revenue includes operating leases, maintenance, post-production services, camera rentals, theater operations and other services.

19. FINANCIAL INSTRUMENTS

From time to time the Company engages in hedging activities to reduce the impact of fluctuations in foreign currencies on its profitability and cash flow.

The Company has entered into forward exchange contracts at December 31, 2000 to hedge the conversion of $20 million into Canadian dollars at an average exchange rate of Canadian $1.48 per U.S. dollar. The Company has also entered into foreign currency swap transactions to hedge minimum lease payments receivable under sales-type lease contracts denominated in Japanese Yen and French Francs. These swap transactions fix the foreign exchange rates on conversion of 79 million Yen at 98 Yen per U.S. dollar through September 2004 and on 11.4 million Francs at 5.1 Francs per U.S. dollar through September 2005. These forward contracts are accounted for as hedges of identifiable foreign currency commitments.

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19. FINANCIAL INSTRUMENTS - (CONTINUED)

The Company entered into an interest rate swap transaction in May 1999 for a term commencing June 1, 1999 and terminating on December 1, 2002. The Company has agreed to pay a floating rate of LIBOR plus 1.49% to June 1, 2000 and LIBOR plus 2.09% for the remainder of the term and the counterparty has agreed to pay a fixed rate of 7.875% on notional principal of $65 million. The floating rate is revised every 1st of December, March, June and September. The Company adjusts interest expense over each three-month period for the net amount it is to receive from or pay to the counterparty. The Company sold its entire position in the swap to a third party on January 10, 2001 for net proceeds of $190,000.

The carrying values of the Company's cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate fair values due to the short-term maturity of these instruments. The Company's other financial instruments at December 31, 2000 are summarized as follows:

	2000		1999	
	CARRYING AMOUNT	ESTIMATED FAIR VALUE	CARRYING AMOUNT	ESTIMATED FAIR VALUE
Investments in Mainframe	$ 7,679	$ 7,679	$ 10,732	$ 10,732
Investments in marketable debt securities	7,529	7,529	89,032	88,654
Senior Notes	200,000	110,000	200,000	186,500
Convertible Subordinated Notes	100,000	38,500	100,000	132,940
Foreign currency contracts	731	363	636	754
Interest rate swap contracts	-	(209)	-	(1,855)

Investments include marketable debt securities for which fair value has been based on quoted market prices or dealer quotes. The fair values of the Company's Senior Notes and Convertible Subordinated Notes are estimated based on quoted market prices for the Company's debt. The fair value of foreign currency contracts held for hedging purposes represents the estimated amount the Company would receive upon termination of the agreements, taking into consideration current exchange rates and the credit worthiness of the counterparties. The fair value of the interest rate swap contracts represents the estimated amount the Company would pay to the counterparty to terminate the agreement, taking into account the interest rate at year end.

Financial instruments consist primarily of cash, cash equivalents and those which potentially subject the Company to credit risk such as investments in marketable debt securities, accounts receivable and financial instruments used for hedging purposes. The Company maintains cash and cash equivalents with various major financial institutions. Cash equivalents and investments in marketable debt securities include investments in commercial paper of companies with high credit rating and investment in money market securities. The credit risk associated with financial instruments held for hedging purposes would be limited to all unrealized gains on contracts based on current market prices. The Company believes that dealing with highly rated institutions has minimized this credit risk.

A substantial proportion of the Company's revenues are generated from customers in the commercial exhibition industry, which experienced significant deterioration in financial condition in 2000. To minimize its credit risk in this area, the Company retains title to underlying theater systems leased, performs initial and ongoing credit evaluations of its customers and makes ongoing provisions for its estimate of potentially uncollectible amounts.

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20. EMPLOYEE PENSION PLANS

(a) DEFINED BENEFIT PLAN

On July 12, 2000, the Company established a defined benefit pension plan covering its two Co-Chief Executive Officers. The plan provides for a lifetime retirement benefit from age 55 determined as 75% of the member's best average 60 consecutive months of earnings during the 120 months preceding retirement. Once benefit payments begin, the benefit is indexed annually to the cost of living and further provides for 100% continuance for life to the surviving spouse. The benefits are 50% vested as at July 12, 2000, the plan initiation date. The vesting percentage increases on a straight-line basis from inception until age 55. The vesting percentage of a member whose employment terminates other than by voluntary retirement shall be 100%. Also, upon the occurrence of a change in control prior to termination of a member's employment, the vesting percentage shall become 100%. The following assumptions were used in determining the funded status of the Company's defined benefit pension plan:

	2000
Discount rate	7.0%
Rate of increase in compensation levels	1.5%

The amounts accrued at December 31, since the plan initiation date of July 12, 2000, included the following components:

	2000
Change in projected benefit obligation:	
Obligation arising on initiation of plan	$ 11,321
Service cost	831
Interest cost	411
Actuarial gain	(968)
Obligation at end of year	$ 11,595
Funded status:	
Obligation at end of year	$ 11,595
Unrecognized prior service cost	(10,622)
Unrecognized actuarial gain	968
Accrued pension liability	$ 1,941

In addition, included in accrued liabilities at December 31, 2000 is a minimum pension liability of $8.5 million, representing unrecognized prior service costs.

The following table provides disclosure of pension expense for the defined benefit plan for the year ended December 31:

	2000
Service cost	$ 831
Interest cost	411
Amortization of prior service cost	699
Pension expense	$ 1,941

At the time the Company established the defined benefit pension plan, it also took out life insurance policies on the two Co-Chief Executive Officers, and the Company intends to use the proceeds of such insurance policies to satisfy, in whole or in part, the survival benefits due and payable under the plan, though there can be no assurance that the Company will elect to do so.

(b) DEFINED CONTRIBUTION PLANS

The Company also maintains defined contribution employee pension plans for its employees, including its executive officers. The Company makes contributions to these plans on behalf of employees in an amount equal to 5% of their base salary subject to certain prescribed maximums. During 2000, the Company contributed and expensed an aggregate of $591,000 to the Canadian plan and an aggregate of $416,000 to the Company's defined contribution employee pension plan under Section 401(k) of the U.S. Internal Revenue Code.

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21. CONTINGENCIES

(a) In April 1994, Compagnie France Film Inc. filed a claim against the Company in the Superior Court in the District of Montreal, in the Province of Quebec, alleging breach of contract and bad faith in respect of an agreement which the plaintiff claims it entered into with the Company for the establishment of an IMAX theater in Quebec City, Quebec, Canada. The Company disputed these claims and the suit went to trial in January 1998. In a decision rendered in April 1998, the court dismissed the plaintiffs' claims with costs. In May 1998, the plaintiff appealed the decision to the Quebec Court of Appeal. The Company believes that the amount of the loss, if any, suffered in connection with a successful appeal by the plaintiff will not have a material impact on the financial position or results of operations of the Company, although no assurance can be given with respect to the ultimate outcome of this matter.

(b) In January 2000, the Commission of the European Communities (the "Commission") informed the Company that Euromax, an association of European large screen cinema owners, had filed a complaint against the Company under EC competition rules. The complaint addressed a variety of alleged abuses, mainly relating to the degree of the control that the Company asserts over the projection systems it leases and the form and terms of the Company's agreements. No formal investigation has been initiated to date, and the Commission has limited itself to a request of IMAX to comment on the complaint and subsequent response. Should proceedings be initiated, it is expected that no decision would be rendered until the end of 2001 or 2002 at the earliest. Although the Commission has the power to impose fines of up to a maximum of 10% of Company revenue for breach of EC competition rules, the Company believes on the basis of currently available information and an initial review that such result would not be likely. The Company further believes that the allegations in the complaint are meritless and will accordingly defend the matter vigorously. The Company believes that the amount of the loss, if any, suffered in connection with this dispute would not have a material impact on the financial position or results of operations of the Company, although no assurance can be given with respect to the ultimate outcome of this litigation.

(c) In April 2000, Themax Inc., a 33% owned investee of the Company, and certain of its shareholders (collectively "Themax") filed a claim against the Company in the Superior Court in the District of Longueuil, in the Province of Quebec, alleging breach of contract in respect of the IMAX System Lease agreement between IMAX Ltd. and Themax dated February 5, 1996 as well as a claim for damages suffered as a result of IMAX Ltd.'s alleged failure to adequately manage the Brossard Theater during its tenure as manager. Themax claimed damages representing a return of the original investment by Themax as well as lost profits and costs. The Company believes that the allegations made by Themax are entirely without merit and has and will accordingly defend the matter vigorously. The Company believes that the amount of loss, if any, suffered in connection with this lawsuit would not have a material impact on the financial position or results of operations of the Company, although no assurance can be given with respect to the ultimate outcome for any such litigation.

(d) In June 2000, a complaint was filed against the Company and a third party by Mandalay Resort Group f/k/a Circus Circus Enterprises, Inc., alleging breach of contract and express warranty, fraud and misrepresentation in connection with the installation of certain motion simulation bases in Nevada. The complaint alleges damages in excess of $30,000. The Company believes that the allegations made against it in this complaint are meritless and will accordingly defend the matter vigorously. The Company further believes that the amount of loss, if any, suffered in connection with this lawsuit would not have a material impact on the financial position or results of operations of the Company, although no assurance can be given with respect to the ultimate outcome for any such litigation.

(e) In addition to the litigation described above, the Company is currently involved in other litigation which, in the opinion of the Company's management, will not materially affect the Company's financial position or future operating results, although no assurance can be given with respect to the ultimate outcome for any such litigation.

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22. IMPACT OF RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("FAS 133") and its subsequent amendments and interpretations will be adopted by the Company effective January 1, 2001. FAS 133 established accounting and reporting standards requiring that all derivative instruments be recorded in the balance sheet either as an asset or a liability at their fair values. The statement requires that changes in the derivative's fair value be recognized in earnings unless specific hedge accounting criteria are met. The Company has decided not to account for the derivatives held at December 31, 2000 as hedges when it adopts FAS 133. As a result, the Company will record a transition loss of $210,000 in its consolidated statement of earnings for 2001 as a cumulative effect of a change in accounting principle. In addition, a transition amount of $158,000 is expected to be recorded as a charge to comprehensive loss.

23. SUBSEQUENT EVENTS

Subsequent to December 31, 2000, the Company approved a formal plan to rationalize its operations and reduce staffing levels. The Company anticipates it will record charges in 2001 in the approximate range of $15 to $20 million to provide for severances, exit costs and to write-down certain assets to be disposed of to net realizable value.

24. FINANCIAL STATEMENT PRESENTATION

Certain comparative balances have been reclassified to conform with the presentation adopted in the current year. The consolidated balance sheets for the years ended December 31, 2000 and 1999 are now presented on an unclassified basis in accordance with industry practice for companies with significant leasing activities.