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

Form 10-K

(Mark One)

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

For the fiscal year ended December 31, 2013

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

Commission file Number 001-35066

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

Canada **(State or other jurisdiction of incorporation or organization)**	**98-0140269** **(I.R.S. Employer Identification Number)**
2525 Speakman Drive, **Mississauga, Ontario, Canada L5K 1B1** **(905) 403-6500**	**110 E. 59th Street, Suite 2100** **New York, New York, USA 10022** **(212) 821-0100**

(Address of principal executive offices, zip code, telephone numbers)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Exchange on Which Registered
Common Shares, no par value	**The New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act:

None
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting Company	☐

Indicate by check mark whether the registrant is a shell Company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the common shares of the registrant held by non-affiliates of the registrant, computed by reference to the last sale price of such shares as of the close of trading on June 30, 2013 was $1,407.2 million (56,604,512 common shares times $24.86).

As of January 31, 2014, there were 67,893,045 common shares of the registrant outstanding.

Document Incorporated by Reference

Portions of the registrant's definitive Proxy Statement to be filed within 120 days of the close of IMAX Corporation's fiscal year ended December 31, 2013, with the Securities and Exchange Commission pursuant to Regulation 14A involving the election of directors and the annual meeting of the stockholders of the registrant (the "Proxy Statement") are incorporated by reference in Part III of this Form 10-K to the extent described therein.

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IMAX CORPORATION

December 31, 2013

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IMAX CORPORATION

EXCHANGE RATE DATA

Unless otherwise indicated, all dollar amounts in this document are expressed in United States ("U.S.") dollars. The following table sets forth, for the periods indicated, certain exchange rates based on the noon buying rate in the City of New York for cable transfers in foreign currencies as certified for customs purposes by the Bank of Canada (the "Noon Buying Rate"). Such rates quoted are the number of U.S. dollars per one Canadian dollar and are the inverse of rates quoted by the Bank of Canada for Canadian dollars per U.S. $1.00. The average exchange rate is based on the average of the exchange rates on the last day of each month during such periods. The Noon Buying Rate on December 31, 2013 was U.S. $0.9402.

	Years Ended December 31,				
	2013	2012	2011	2010	2009
Exchange rate at end of period	0.9402	1.0051	0.9833	1.0054	0.9555
Average exchange rate during period	0.9713	1.0006	1.0151	0.9709	0.8757
High exchange rate during period	1.0164	1.0299	1.0583	1.0054	0.9716
Low exchange rate during period	0.9348	0.9599	0.9430	0.9278	0.7692

SPECIAL NOTE REGARDING FORWARD-LOOKING INFORMATION

Certain statements included in this annual report 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 and technology strategies and measures to implement strategies, competitive strengths, goals, expansion and growth of business, operations and technology, plans and references to the future success of IMAX Corporation together with its wholly-owned subsidiaries (the "Company") and expectations regarding the Company's future operating, financial and technological results. 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; the performance of IMAX DMR films; competitive actions by other companies; conditions in the in-home and out-of-home entertainment industries; the signing of theater system agreements; changes in laws or regulations; conditions, changes and developments in the commercial exhibition industry; 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; risks related to the Company's growth and operations in China; the failure to respond to change and advancements in digital technology; the Company's largest customer accounting for a significant portion of the Company's revenue and backlog; risks related to new business initiatives; the potential impact of increased competition in the markets within which the Company operates; risks related to the Company's inability to protect the Company's intellectual property; risks related to the Company's implementation of a new enterprise resource planning system; the failure to convert theater system backlog into revenue; risks related to the Company's dependence on a sole supplier for its analog film; and other factors, many of which are beyond the control of the Company. Consequently, all of the forward-looking statements made in this annual report are qualified by these cautionary statements, and actual results or anticipated developments by the Company may not be realized, and even if substantially realized, may not have the expected consequences to, or effects on, the Company. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking information, whether as a result of new information, future events or otherwise.

IMAX®, IMAX® Dome, IMAX® 3D, IMAX® 3D Dome, Experience It In IMAX®, *The* IMAX *Experience*®, *An* IMAX *Experience*®, *An* IMAX 3D *Experience*®, IMAX DMR®, DMR®, IMAX nXos®, IMAX think big®, think big® and IMAX Is Believing®, are trademarks and trade names of the Company or its subsidiaries that are registered or otherwise protected under laws of various jurisdictions.

PART I

Item 1. *Business*

GENERAL

IMAX Corporation, together with its wholly-owned subsidiaries (the "Company"), is one of the world's leading entertainment technology companies, specializing in motion picture technologies and presentations. IMAX offers a unique end-to-end cinematic solution combining proprietary software, theater architecture and equipment to create the highest-quality, most immersive motion picture experience for which the IMAX brand has become known globally. Top filmmakers and studios utilize IMAX theaters to connect with audiences in innovative ways, and as such, IMAX's network is among the most important and successful theatrical distribution platforms for major event films around the world.

The Company's principal businesses are:

- the design and manufacture of premium theater systems ("IMAX theater systems") and the sale, lease or contribution of those systems to customers under theater arrangements; and
- the Digital Re-Mastering of films into the IMAX format and the exhibition of those films in the IMAX theater network.

IMAX theater systems are based on proprietary and patented technology developed over the course of the Company's 46-year history. The Company's customers who purchase, lease or otherwise acquire the IMAX theater systems are theater exhibitors that operate commercial theaters (particularly multiplexes), museums, science centers, or destination entertainment sites. The Company generally does not own IMAX theaters, but licenses the use of its trademarks to exhibitors along with the sale, lease or contribution of its equipment. The Company refers to all theaters using the IMAX theater system as "IMAX theaters."

IMAX theater systems combine:

- IMAX DMR (Digital Re-Mastering) movie conversion technology, which results in higher image and sound fidelity than conventional cinema experiences;
- advanced, high-resolution projectors with specialized equipment and automated theater control systems, which generate significantly more contrast and brightness than conventional theater systems;
- large screens and proprietary theater geometry, which result in a substantially larger field of view so that the screen extends to the edge of a viewer's peripheral vision and creates more realistic images;
- sound system components, which deliver more expansive sound imagery and pinpointed origination of sound to any specific spot in an IMAX theater; and
- specialized theater acoustics, which result in a four-fold reduction in background noise.

The components together cause audiences in IMAX theaters to feel as if they are a part of the on-screen action, creating a more intense, immersive and exciting experience than a traditional theater.

As a result of the immersiveness and superior image and sound quality of *The* IMAX *Experience*, the Company's exhibitor customers typically charge a premium for IMAX DMR films over films exhibited in their other auditoriums. The premium pricing, combined with the higher attendance levels associated with IMAX DMR films, generates incremental box-office for the Company's exhibitor customers and for the movie studios releasing their films to the IMAX network. The incremental box-office generated by IMAX DMR films has helped establish IMAX as a key premium distribution and marketing platform for Hollywood blockbuster films, which is separate and distinct from their wider theatrical release.

The Company believes the IMAX theater network is the most extensive premium theater network in the world with 837 theater systems (720 commercial, 117 institutional) operating in 57 countries as at December 31, 2013. This compares to 731 theater systems (617 commercial, 114 institutional) operating in 53 countries as at December 31, 2012. The success of the Company's digital and joint revenue sharing strategies and the strength of its film slate has enabled the Company's theater network to expand significantly, with the Company's overall network increasing by 180% and the Company's commercial network increasing by 302% from the beginning of 2008. In 2013 and 2012, the Company signed theater agreements for 277 and 142 systems, respectively, which is expected to drive additional growth in 2014 and thereafter.

The Company has identified approximately 1,700 IMAX zones worldwide. The Company believes that these zones present the potential for the IMAX theater network to grow significantly from the 701 commercial multiplex IMAX theaters operating as of December 31, 2013. While the Company continues to grow domestically, particularly in small to mid-tier markets, a significant portion of the Company's recent growth has come from international markets, a trend that the Company anticipates will continue into the future. In 2013, 83.8% of the Company's 277 new theater signings were for theaters in international markets. Key international growth markets include Greater China (which includes the People's Republic of China, Hong Kong, Taiwan and Macau), India, Latin America (which includes South America, Central America and Mexico) and Eastern and Western Europe. In fact, 2013 marked the first year in the Company's history that revenue and gross box-office derived from outside the United States and Canada exceeded revenues and gross box-office from the United States and Canada.

Greater China continues to be the Company's second-largest and fastest-growing market. As at December 31, 2013, the Company had 173 theaters operating in Greater China and an additional 239 theaters (includes 2 upgrades) in backlog which represent 58.7% of the Company's current backlog and which are scheduled to be installed in Greater China by 2021. The Company continues to invest in joint revenue sharing arrangements with select partners to ensure ongoing revenue in this key market. In 2013, the Company and Wanda Cinema Line Corporation ("Wanda") announced amendments of the parties' original 2011 joint revenue sharing arrangement for an additional 120 IMAX theaters to be located throughout China. The most recent expansion brings Wanda's total commitment to 210 IMAX theater systems, of which 195 are under the parties' joint revenue sharing arrangement. The Company believes that the China market presents opportunities for additional growth with favorable market trends, including government initiatives to foster cinema screen growth, to support the film industry and to increase the number of Hollywood films distributed in China. Recent initiatives include a 2012 agreement with the U.S. to permit 14 additional IMAX or 3D format films to be distributed in China each year and to permit distributors to receive higher distribution fees. The Company cautions, however, that its expansion in China faces a number of challenges. See Risk Factors – "The Company faces risks in connection with the continued expansion of its business in China" in Item 1A. In 2011, the Company formed IMAX (Shanghai) Multimedia Technology Co., Ltd ("IMAX China") to facilitate the Company's expansion in China. As at December 31, 2013, IMAX China had offices in Shanghai and Beijing and total of 57 employees.

Over the years, several technological breakthroughs have established IMAX as an important distribution platform for Hollywood's biggest event films. These include:

- DMR – IMAX's proprietary DMR technology digitally converts live-action digital films or 35mm to its large-format, while meeting the Company's high standards of image and sound quality. In a typical IMAX DMR film arrangement, the Company will receive a percentage, which generally ranges from 10-15%, of net box-office receipts of a film from the film studio in exchange for the conversion of the film to the IMAX DMR format and for access to the IMAX distribution platform. At December 31, 2013, the Company had released 157 IMAX DMR films since the introduction of IMAX DMR in 2002. The number of films released on an annual basis that have been converted through the DMR process has increased significantly in recent years with the advent of digital technology that reduced the DMR conversion time and with the strengthening of the Company's relationships with major Hollywood studios. Accordingly, 38 films converted through the IMAX DMR process were released in 2013, as compared to 35 in 2012 and 6 in 2007.
- IMAX Digital Projection System **–** The Company introduced its digital xenon projection system in 2008. Prior to 2008, all of IMAX's large format projectors were film-based and required analog film prints. The IMAX digital projection system, which operates without the need for such film prints, was designed specifically for use by commercial multiplex operators and allows operators to reduce the capital and operating costs required to run an IMAX theater without sacrificing the image and sound quality of *The* IMAX *Experience*. By making *The* IMAX *Experience* more accessible for commercial multiplex operators, the introduction of the IMAX digital projection system paved the way for a number of important joint revenue sharing arrangements which have allowed the Company to rapidly expand its theater network. Since announcing that the Company was developing digital projection technology, the vast majority of the Company's theater system signings have been for digital systems. As at December 31, 2013, the Company has signed agreements for 1,041 xenon-based digital systems since 2007 (including the upgrade of film-based systems), 220 of which were signed in 2013 alone. As at December 31, 2013, 696 IMAX digital xenon projection systems were in operation, an increase of 23.4% over the 564 digital projection systems in operation as at December 31, 2012.

As one of the world's leaders in entertainment technology, the Company strives to remain at the forefront of advancements in cinema technology. Accordingly, one of the Company's key short-term initiatives is the development of a next-generation laser-based digital projection system, which it plans to begin rolling out by the end of 2014. In order to develop the laser-based digital projection system, the Company obtained exclusive rights to certain laser projection technology and other technology with applicability in the digital cinema field from Eastman Kodak Company ("Kodak") in 2011 and entered a co-development arrangement with Barco N.V. ("Barco") to co-develop a laser-based digital projection system that incorporates Kodak technology in 2012. The Company believes that these arrangements with Kodak and Barco will enable IMAX laser projectors to present greater brightness and clarity, a wider color gamut and deeper blacks, and consume less power and last longer than existing digital technology. The Company also believes that a laser projection solution will be the first IMAX digital projection system capable of illuminating the largest screens in its network. As of December 31, 2013, the Company had 62 laser-based digital theater systems in its backlog.

The Company is also undertaking new lines of business, particularly in the area of in-home theater entertainment. In 2013, the Company announced two new initiatives, including a joint venture with TCL Multimedia Technology Holding Limited ("TCL") to design, develop, manufacture and sell a premium home theater system and an investment in PRIMA Cinema Inc., a maker of proprietary systems that transmit current theatrical releases for home viewing. The Company and TCL expect to launch the new home theater system, which will incorporate components of IMAX's projection and sound technology adapted for a broader home environment as well as PRIMA technology, in China and other select global markets in 2015. The Company also recently began marketing and selling a niche product, the IMAX Private Theatre, a cinema-grade, ultra-premium home theater system.

In addition to the design and manufacture of premium theater systems, the Company is also engaged in the production and distribution of original large-format films, the provision of services in support of the IMAX theater network, the provision of post-production services for large-format films, the operation of three IMAX theaters and, from time-to-time the conversion of two-dimensional ("2D") and three-dimensional ("3D") Hollywood feature films for exhibition on IMAX theater systems around the world. IMAX Corporation, a Canadian corporation, was formed in March 1994 as a result of an amalgamation between WGIM Acquisition Corp. and the former IMAX Corporation ("Predecessor IMAX"). Predecessor IMAX was incorporated in 1967.

PRODUCT LINES

The Company believes it is the world's largest designer and manufacturer of specialty premium projection and sound system components for large-format theaters around the world, as well as a significant producer and distributor of large-format films. The Company's theater systems include specialized IMAX projectors, advanced sound systems and specialty screens. The Company derives its revenues from:

- IMAX theater systems (design, manufacture, sale or lease of, and provision of services related to, its theater systems);
- Films (production and digital re-mastering of films, the distribution of film products to the IMAX theater network, post-production and print services for films);
- Joint revenue sharing arrangements (the provision of its theater system to an exhibitor in exchange for a certain percentage of theater revenue and, in some cases, a small upfront or initial payment);
- Theater system maintenance (the use of maintenance services related to its theater systems); and
- Other activities, which include theater operations (owning equipment, operating, managing or participating in the revenues of IMAX theaters), the sale of after-market parts and camera rentals.

Segmented information is provided in note 19 to the accompanying audited consolidated financial statements in Item 8.

IMAX Systems, Theater System Maintenance and Joint Revenue Sharing Arrangements

The Company's primary products are its theater systems. The Company's digital projection systems include a projector that offers superior image quality and stability and a digital theater control system, a 6-channel, digital audio system delivering up to 12,000 watts of sound; a screen with a proprietary coating technology, and, if applicable, 3D glasses cleaning equipment. IMAX's digital projection system also operates without the need for analog film prints. Traditional IMAX film-based theater systems contain the same components as the digital projection systems but include a rolling loop 15/70-format projector and require the use of analog film prints. Since its introduction in 2008, the vast majority of the Company's theater sales have been digital systems and the Company expects that virtually all of its future theater systems sales will be IMAX digital systems. Furthermore, a majority of the Company's existing film-based theater systems have been upgraded, at a cost to the exhibitor, to an IMAX digital system. As part of the arrangement to sell or lease its theater systems, the Company provides extensive advice on theater planning and design and supervision of installation services. Theater systems are also leased or sold with a license for the use of the world-famous IMAX brand. Historically, IMAX theater systems come in five configurations:

- the GT projection systems, film-based theater systems for the largest IMAX theaters;
- the SR systems, film-based theater systems for smaller theaters than the GT systems;
- the IMAX MPX systems, which are film-based systems targeted for multiplex theaters ("MPX" theater systems);
- the IMAX digital systems, which are digital-based systems; and
- theater systems featuring heavily curved and tilted screens that are used in dome-shaped theaters.

The GT, SR, IMAX MPX and IMAX digital systems are “flat” screens that have a minimum of curvature and tilt and can exhibit both 2D and 3D films, while the screen components in dome shaped theaters are 2D only and are popular with the Company’s institutional clients. All IMAX theaters, with the exception of dome configurations, feature a steeply inclined floor to provide each audience member with a clear view of the screen. The Company holds patents on the geometrical design of IMAX theaters.

The Company’s film-based projectors use the largest commercially available film format (15-perforation film frame, 70mm), which is nearly ten times larger than conventional film (4-perforation film frame, 35mm) and therefore are able to project significantly more detail on a larger screen. The Company believes these projectors, which utilize the Company’s rolling loop technology, are unsurpassed in their ability to project film with maximum steadiness and clarity with minimal film wear, while substantially enhancing the quality of the projected image. As a result, the Company’s projectors deliver a higher level of clarity and detail as compared to conventional movies and competing projectors in order to compete and evolve with the market.

The Company’s digital projection system provides a premium and differentiated experience to moviegoers that is consistent with what they have come to expect from the IMAX brand, while providing for the compelling economics and flexibility that digital technology affords. The relatively low cost of a digital file delivery (approximately $100 per movie per system compared to $30 thousand per 2D print and $60 thousand per 3D print for an IMAX analog film print) ensures programming flexibility, which in turn allows theaters to program significantly more IMAX DMR films per year. More programming increases customer choice and potentially increases total box-office revenue significantly. In 2013, 38 films converted through the IMAX DMR process were released to the IMAX theater network as compared to 35 in 2012 and 6 films in 2007. To date, the Company has contracted for the release of 14 DMR films to its theater network for 2014, however, the Company expects a similar number of films to be released to the network in 2014 as experienced in 2013. The Company remains in active discussions with all the major studios regarding future titles for 2014 and beyond. The Company expects to announce additional local language IMAX DMR films to be released to the IMAX theater network in 2014 and beyond. Supplementing the Company’s film slate of Hollywood DMR titles with appealing local DMR titles is an important component of the Company’s international film strategy.

To complement its viewing experience, the Company provides digital sound system components which are specifically designed for IMAX theaters. These components are among the most advanced in the industry and help to heighten the realistic feeling of an IMAX presentation, thereby providing IMAX theater systems with an important competitive edge over other theater systems. The Company believes it is a world leader in the design and manufacture of digital sound system components for applications including traditional movie theaters, auditoriums and IMAX theaters.

The Company’s arrangements for theater system equipment involve either a lease or sale. As part of the purchase or lease of an IMAX theater system, the Company also advises the customer on theater design, supervises the installation of the theater systems and provides projectionists with training in using the equipment. The supervision of installation requires that the equipment also be put through a complete functional start-up and test procedure to ensure proper operation. Theater owners or operators are responsible for providing the theater location, the design and construction of the theater building, the installation of the system components and any other necessary improvements, as well as the theater’s marketing and programming. The Company’s typical arrangement also includes trademark license rights whose term tracks the term of the underlying agreement. The theater system equipment components (including the projector, sound system, screen system, and, if applicable, 3D glasses cleaning machine), theater design support, supervision of installation, projectionist training and trademark rights are all elements of what the Company considers the system deliverable (the “System Deliverable”). For a separate fee, the Company provides ongoing maintenance and extended warranty services for the theater system. The Company’s contracts are generally denominated in U.S. dollars, except in Canada, China, Japan and parts of Europe, where contracts are sometimes denominated in local currency.

The Company offers certain commercial clients joint revenue sharing arrangements, pursuant to which the Company provides the System Deliverable in return for a portion of the customer’s IMAX box-office receipts, and in some cases, concession revenue and a small upfront or initial payment. Pursuant to these revenue-sharing arrangements, the Company retains title to the theater system equipment components and the applicable rent payments are contingent, instead of fixed or determinable, on film performance. The initial term of IMAX theater systems under joint revenue sharing arrangements are typically non-cancellable for 10 to 13 years and are renewable by the customer for one or more additional terms of between 5 and 10 years. The Company has the right to remove the equipment for non-payment or other defaults by the customer. The contracts are generally non-cancellable by the customer unless the Company fails to perform its obligations. In rare cases, the contract provides certain performance thresholds that, if not met by either party, allows the other party to terminate the agreement. By offering arrangements in which exhibitors do not need to invest the significant initial capital required of a lease or a sale arrangement, the Company has been able to expand its theater network at a significantly faster pace than it had previously. As at December 31, 2013, the Company has entered into joint revenue sharing arrangements for 645 systems with 38 partners, 382 of which were in operation as at December 31, 2013.

Leases generally have a 10-year initial term and are typically renewable by the customer for one or more additional 5 to 10-year terms. Under the terms of the typical lease agreement, the title to the theater system equipment (including the projector, the sound system and the projection screen) remains with the Company. The Company has the right to remove the equipment for non-payment or other defaults by the customer. The contracts are generally not cancelable by the customer unless the Company fails to perform its obligations.

The Company also enters into sale agreements with its customers. Under a sales agreement, the title to the theater system remains with the customer. In certain instances, however, the Company retains title or a security interest in the equipment until the customer has made all payments required under the agreement.

The typical lease or sales arrangement provides for three major sources of cash flows for the Company: (i) initial fees; (ii) ongoing minimum fixed and contingent fees; and (iii) ongoing maintenance and extended warranty fees. Initial fees generally are received over the period of time from the date the arrangement is executed to the date the equipment is installed and customer acceptance has been received. However, in certain cases, the payments of the initial fee may be scheduled over a period of time after the equipment is installed and customer acceptance has been received. Ongoing minimum fixed and contingent fees and ongoing maintenance and extended warranty fees are generally received over the life of the arrangement and are usually adjusted annually based on changes in the local consumer price index. The ongoing minimum fixed and contingent fees generally provide for a fee which is the greater of a fixed amount or a certain percentage of the theater box-office. The terms of each arrangement vary according to the configuration of the theater system provided, the cinema market and the film distribution market relevant to the geographic location of the customer.

In 2012, Dalian Wanda Group Co., Ltd., the parent company of Wanda Cinema Line Corporation ("Wanda"), acquired AMC Entertainment Holdings, Inc. ("AMC"). Prior to this transaction, AMC and Wanda were, respectively, the Company's first and third largest customers. Under common ownership, Wanda and AMC together is the Company's largest customer, representing approximately 13.9%, 12.2% and 14.1% of the Company's total revenue in 2013, 2012 and 2011, respectively. In addition, Wanda and AMC together represented approximately 31% of the Company's backlog as of December 31, 2013. See Risk Factors – "Under common ownership, Wanda and AMC together account for a significant and growing portion of the Company's revenue and backlog. A deterioration in the Company's relationship with Wanda and/or AMC could materially, adversely affect the Company's business, financial condition or results of operations." in Item 1A.

Sales Backlog.

The Company's sales backlog is as follows:

	December 31, 2013		December 31, 2012	
	Number of Systems	Dollar Value *(in thousands)*	Number of Systems	Dollar Value *(in thousands)*
Sales and sales-type lease arrangements	144	$ 177,956	139	$ 168,101
Joint revenue sharing arrangements	263	51,983	137	31,652
	407 (1)	$ 229,939	276 (2)	$ 199,753

(1) Includes 23 upgrades to a digital theater system, in an existing IMAX theater location (3 xenon and 20 laser, of which 4 are under joint revenue sharing arrangements).

(2) Includes 11 upgrades to a digital theater system, in an existing IMAX theater location (6 xenon and 5 laser).

The number of theater systems in the backlog reflects the minimum number of commitments from signed contracts. The Company believes that the contractual obligations for theater system installations that are listed in sales backlog are valid and binding commitments. Signed contracts for theater systems are listed as sales backlog prior to the time of revenue recognition. The value of sales backlog does not include revenue from theaters in which the Company has an equity-interest, operating leases, letters of intent or long-term conditional theater commitments. The value of sales backlog represents the total value of all signed theater system agreements that are expected to be recognized as revenue in the future. Sales backlog includes initial fees along with the estimated present value of contractual fixed minimum fees due over the term, however it excludes amounts allocated to maintenance and extended warranty revenues as well as fees in excess of contractual minimums that may be received in the future. The value of theaters under joint revenue sharing arrangements is excluded from the dollar value of sales backlog, although certain theater systems under joint revenue sharing arrangements provide for contracted upfront payments and therefore carry a backlog value based on those payments, which is reflected in the table above.

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The following chart shows the number of the Company's theater systems by configuration, opened theater network base and backlog as at December 31:

	2013		2012	
	Theater Network Base	Backlog	Theater Network Base	Backlog
Flat Screen (2D)	22	—	22	—
Dome Screen (2D)	58	—	61	—
IMAX 3D Dome (3D)	2	—	2	—
IMAX 3D GT (3D)	41	—	63	1
IMAX 3D SR (3D)	18	—	19	—
IMAX MPX (3D)	—	—	—	3
IMAX Digital: Xenon (3D)	696	345 (1)	564	267
IMAX Digital: Laser (3D)	—	62 (2)	—	5
Total	837	407	731	276

(1) Includes 3 upgrades from film-based theater systems to digital theater systems in existing IMAX theater locations (all institutional)
(2) Backlog includes 20 upgrades to IMAX digital laser theater systems from IMAX digital xenon theater systems in existing IMAX theater locations (12 commercial and 8 institutional)

The Company estimates that it will install a similar number of new theater systems (excluding digital upgrades) as the Company installed in 2013. The Company's installation estimates includes scheduled systems from backlog, as well as the Company's estimate of installations from arrangements that will sign and install in the same calendar year. The Company cautions, however, that theater system installations may slip from period to period over the course of the Company's business, usually for reasons beyond its control.

IMAX Flat Screen and IMAX Dome Theater Systems. As at December 31, 2013, there were 82 IMAX flat screen and IMAX Dome theater systems in the IMAX network, as compared to 85 IMAX flat screen and IMAX Dome theater systems as at December 31, 2012. IMAX flat screen and IMAX Dome systems primarily have been installed in institutions such as museums and science centers. Flat screen IMAX theaters were introduced in 1970, while IMAX Dome theaters, which are designed for tilted dome screens, were introduced in 1973. There have been several significant proprietary and patented enhancements to these systems since their introduction.

IMAX 3D GT and IMAX 3D SR Theater Systems. IMAX 3D theaters utilize a flat screen 3D system, which produces realistic 3D images on an IMAX screen. The Company believes that the IMAX 3D theater systems offer consumers one of the most realistic 3D experiences available today. To create the 3D effect, the audience uses either polarized or electronic glasses that separate the left-eye and right-eye images. The IMAX 3D projectors can project both 2D and 3D films, allowing theater owners the flexibility to exhibit either type of film.

As at December 31, 2013, there were 59 IMAX 3D GT and IMAX 3D SR theater systems in operation compared to 82 IMAX 3D GT and IMAX 3D SR theater systems in operation as at December 31, 2012. The decrease in the number of 3D GT and 3D SR theater systems is largely attributable to the conversion of existing 3D GT and 3D SR theater systems to IMAX digital theater systems.

IMAX MPX Theater Systems. In 2003, the Company launched a large-format theater system designed specifically for use in multiplex theaters. Known as IMAX MPX, this theater system had lower capital and operating costs than other IMAX theater systems and was intended to improve a multiplex owner's financial returns and to allow for the installation of IMAX theater systems in markets that might previously not have been able to support one. The IMAX digital theater system has supplanted the IMAX MPX theater system as the Company's multiplex product. Accordingly, all IMAX MPX theater systems have been upgraded to IMAX digital theater systems.

IMAX Digital: Xenon Theater Systems. In July 2008, the Company introduced a proprietary IMAX xenon-based digital projection system that it believes delivers higher quality imagery compared with other digital systems and that is consistent with the Company's brand. As at December 31, 2013, the Company had installed 696 xenon-based digital theater systems, including 130 upgrades, and has an additional 345 xenon-based digital theater systems in its backlog.

IMAX Digital: Laser Theater Systems. One of the Company's key initiatives is the development of a next-generation laser-based digital projection system, which it plans to begin rolling out at the end of 2014. The Company believes the IMAX laser projectors will present greater brightness and clarity, a wider colour gamut and deeper blacks, and consume less power and last longer than existing digital technology, capable of illuminating the largest screens in the IMAX theater network. As at December 31, 2013, the Company had 62 laser-based digital theater systems in its backlog.

Films

Film Production and Digital Re-mastering (IMAX DMR)

In 2002, the Company developed a proprietary technology to digitally re-master Hollywood films into IMAX digital cinema package format or 15/70-format film for exhibition in IMAX theaters at a modest cost that is incurred by the Company. This system, known as IMAX DMR, digitally enhances the image resolution of motion picture films for projection on IMAX screens while maintaining or enhancing the visual clarity and sound quality to levels for which *The* IMAX *Experience* is known. In a typical IMAX DMR film arrangement, the Company will receive a percentage, which generally ranges from 10-15%, of net box-office receipts of a film from the film studio in exchange for the conversion of the film to the IMAX DMR format and for access to IMAX's premium distribution and marketing platform. The box-office performance of IMAX DMR releases has positioned IMAX theaters as a key premium distribution platform for Hollywood films, which is separate and distinct from their wider theatrical release.

Factors other than the IMAX DMR format, and IMAX's proprietary projection and sound technology, are increasingly differentiating IMAX content from other film content. Filmmakers are choosing IMAX cameras to shoot selected scenes to increase the audience's immersion in the film and taking advantage of the unique dimensions of the IMAX screen by shooting the film in a larger aspect ratio. Several recent films have featured select sequences shot with IMAX cameras including *Star Trek Into Darkness: An* IMAX *3D Experience*, released in May 2013 and *The Hunger Games: Catching Fire: The* IMAX *Experience*, released in November 2013 as well as *The Dark Knight Rises: The* IMAX *Experience* in July 2012, which featured over an hour of footage shot with IMAX cameras. In addition, several recent movies, including *Oblivion: The* IMAX *Experience* in 2013 and *Skyfall: The* IMAX *Experience* in 2012, have featured footage taking advantage of the larger projected IMAX aspect ratio. IMAX theaters therefore serve as an additional distribution platform for Hollywood films, just as home video and pay-per-view are ancillary distribution platforms. In some cases, the Company may also have certain distribution rights to the films produced using its IMAX DMR technology.

The IMAX DMR process involves the following:

- in certain instances, scanning, at the highest possible resolution, each individual frame of the movie and converting it into a digital image;
- optimizing the image using proprietary image enhancement tools;
- enhancing the digital image using techniques such as sharpening, color correction, grain and noise removal and the elimination of unsteadiness and removal of unwanted artifacts;
- recording the enhanced digital image onto IMAX 15/70-format film or IMAX digital cinema package ("DCP") format; and
- specially re-mastering the sound track to take full advantage of the unique sound system of IMAX theater systems.

The first IMAX DMR film, *Apollo 13: The* IMAX *Experience*, produced in conjunction with Universal Pictures and Imagine Entertainment, was released in September 2002 to 48 IMAX theaters. One of the more recent IMAX DMR films, *The Hobbit: The Desolation of Smaug: An* IMAX *3D Experience* was released to 528 IMAX theaters. Since the release of *Apollo 13: The* IMAX *Experience*, an additional 156 IMAX DMR films have been released to the IMAX theater network as at December 31, 2013.

Recent advances in the IMAX DMR process allow the re-mastering process to meet aggressive film production schedules. The Company has decreased the length of time it takes to reformat a film with its IMAX DMR technology. *Apollo 13: The* IMAX *Experience*, released in September 2002, was re-mastered in 16 weeks, while certain current films can be re-mastered in less than one week. The IMAX DMR conversion of simultaneous, or "day-and-date" releases are done in parallel with the movie's filming and editing, which is necessary for the simultaneous release of an IMAX DMR film with the domestic release to conventional theaters.

The original soundtrack of a film to be released to the IMAX network is re-mastered for the IMAX five or six-channel digital sound systems for the IMAX DMR release. Unlike the soundtracks played in conventional theaters, IMAX re-mastered soundtracks are uncompressed and full fidelity. IMAX sound systems use proprietary loudspeaker systems and proprietary surround sound configurations that ensure every theater seat is in a good listening position.

The Company believes that its international expansion is an important driver of future growth for the Company. In fact, during the year ended December 31, 2013, 54.0% of the Company's gross box-office from IMAX DMR films was generated in international markets, which was the first time in the Company's history that international gross box-office exceeded gross box-office from the United States and Canada. The Company believes that the growth in international box-office has been bolstered by the Company's strategy of supplementing the Company's film slate of Hollywood DMR titles with appealing local IMAX DMR releases in select markets. In 2013, the Company released nine local language IMAX DMR films, including five in China and one in each of Japan, Russia, France, and India, compared with five local-language IMAX DMR films in 2012, including four in China and one in France. The Company expects to announce additional local language IMAX DMR films to be released to the IMAX network in 2014 and beyond.

In 2013, 38 films were converted through the IMAX DMR process and released to theaters in the IMAX network by film studios as compared to 35 films in 2012. These films were:

- *The Grandmaster: The* IMAX *Experience* (Jet Tone Films and Sil-Metropole Organization, January 2013, China only);
- *Hansel & Gretel: Witch Hunters: An* IMAX *3D Experience* (Paramount Pictures, January 2013);
- *Top Gun: An* IMAX *3D Experience* (Paramount Pictures, February 2013);
- *Journey to the West: Conquering the Demons: An* IMAX *3D Experience* (Bingo Movie Development Ltd, February 2013, China only);
- *A Good Day to Die Hard: The* IMAX *Experience* (Twentieth Century Fox, February 2013);
- *Jack the Giant Slayer: An* IMAX *3D Experience* (Warner Bros. Pictures, March 2013);
- *Oz: The Great and Powerful: An* IMAX *3D Experience* (Walt Disney Pictures, March 2013);
- *G.I. Joe: Retaliation: An* IMAX *3D Experience* (Paramount Pictures, March 2013);
- *Dragon Ball Z: Battle of the Gods: An* IMAX *3D Experience* (Toei Animation Company, March 2013, Japan only);
- *Jurassic Park: An* IMAX *3D Experience* (Universal Pictures, April 2013);
- *Oblivion: The* IMAX *Experience* (Universal Pictures, April 2013);
- *Iron Man 3: An* IMAX *3D Experience* (Walt Disney Pictures, May 2013);
- *Star Trek: Into Darkness: An* IMAX *3D Experience* (Paramount Pictures, May 2013);
- *Fast & Furious 6: The* IMAX *Experience* (Universal Pictures, May 2013, select international markets);
- *After Earth: The* IMAX *Experience* (Columbia Pictures, May 2013);
- *Man of Steel: The* IMAX *Experience* (Warner Bros. Pictures, June 2013);
- *World War Z: An* IMAX *3D Experience* (Paramount Pictures, June 2013, select international markets);
- *Despicable Me 2: An* IMAX *3D Experience* (Universal Pictures, July 2013, select international markets);
- *White House Down: The* IMAX *Experience* (Sony Pictures, July 2013, select international markets);
- *Man of Tai Chi: The* IMAX *Experience* (China Film Group, Wanda Group, Village Roadshow, July 2013, China only);
- *Lone Ranger: The* IMAX *Experience* (Walt Disney Pictures, July 2013, select international markets);
- *Pacific Rim: An* IMAX *3D Experience* (Warner Bros. Pictures, July 2013);
- *Elysium: The* IMAX *Experience* (Sony Pictures, August 2013);
- *The Mortal Instruments: City of Bones: The* IMAX *Experience* (Sony Pictures, August 2013);
- *Riddick Sequel: The* IMAX *Experience* (Universal Pictures, September 2013);
- *The Wizard of Oz: An* IMAX 3D *Experience* (Picturehouse, September 2013);
- *Young Detective Dee: Rise of the Sea Dragon: An* IMAX *3D Experience* (Huayi Bros., September 2013, China only);
- *Metallica Through the Never: An* IMAX 3D *Experience* (Warner Bros. Pictures, September 2013);
- *Gravity: An* IMAX *3D Experience* (Warner Bros. Pictures, October 2013);
- *Stalingrad: An* IMAX *3D Experience* (AR Films, October 2013, Russia and the CIS only);
- *Captain Phillips: The* IMAX *Experience* (Sony Pictures, October 2013);

- *The Young and Prodigious T.S. Spivet: An* IMAX *3D Experience* (Epithète Films., October 2013, France only);
- *Thor: The Dark World: An* IMAX *3D Experience* (Walt Disney Pictures, October 2013, select international markets);
- *Ender's Game: The* IMAX *Experience* (Lionsgate, November 2013);
- *The Hunger Games: Catching Fire: The* IMAX *Experience* (Lionsgate, November 2013);
- *The Hobbit: The Desolation of Smaug: An* IMAX 3D *Experience* (Warner Bros. Pictures, December 2013);
- *Dhoom 3: The* IMAX *Experience* (Yash Raj Films, December 2013, India only); and
- *Police Story: An* IMAX *3D Experience* (China Vision, December 2013, China only).

In addition, in conjunction with MacGillivray Freeman Films ("MFF"), the Company did a limited release of an IMAX original production, *Journey to the South Pacific*, on November 27, 2013. A broader release of *Journey to the South Pacific* is scheduled in 2014.

To date, the Company has announced the following 14 DMR films to be released in 2014 to the IMAX theater network:

- *Jack Ryan: Shadow Recruit: The* IMAX *Experience* (Paramount Pictures, January 2014);
- *I, Frankenstein: An* IMAX *3D Experience* (Lionsgate, January 2014);
- *The Monkey King: The* IMAX *Experience* (Global Star Productions, January 2014, China only);
- *Robocop: The* IMAX *Experience* (Metro-Goldwyn-Mayer Studios, Inc., February 2014);
- *300: Rise of an Empire: An* IMAX *3D Experience* (Warner Bros. Pictures, March 2014);
- *Divergent: The* IMAX *Experience* (Summit Entertainment, March 2014);
- *Noah: The* IMAX *Experience* (Paramount Pictures, March 2014);
- *Captain America: The Winter Soldier: An* IMAX *3D Experience* (Marvel Entertainment, April 2014);
- *The Amazing Spider-Man 2: An* IMAX *3D Experience* (Sony Pictures, May 2014);
- *Godzilla: The* IMAX *Experience* (Warner Bros. Pictures, May 2014);
- *Edge of Tomorrow: The* IMAX *Experience* (Warner Bros. Pictures, June 2014);
- *Transformers: Age of Extinction: An* IMAX *3D Experience* (Paramount Pictures, June 2014);
- *Interstellar: The IMAX Experience* (Paramount Pictures and Warner Bros. Pictures, November 2014); and
- *The Hobbit: There and Back Again: An* IMAX *3D Experience* (Warner Bros. Pictures, December 2014).

The Company remains in active negotiations with all of the major Hollywood studios for additional films to fill out its short and long-term film slate, and anticipates that a similar number of IMAX DMR films will be released to the IMAX network in 2014 as were released in 2013.

In addition, in conjunction with Warner Bros. Pictures ("WB"), the Company will release an IMAX original production, *Island of Lemurs: Madagascar*, on April 4, 2014.

The Company expects to announce additional local language IMAX DMR films to be released to the IMAX theater network in 2014 and beyond. Supplementing the Company's film slate of Hollywood DMR titles with appealing local DMR titles is an important component of the Company's international film strategy.

Film Distribution

The Company is also a distributor of large-format films, primarily for its institutional theater partners. The Company generally distributes films which it produces or for which it has acquired distribution rights from independent producers. The Company receives either a percentage of the theater box-office receipts or a fixed amount as a distribution fee.

Films produced by the Company are typically financed through third parties, whereby the Company will generally receive a film production fee in exchange for producing the film and a distribution fee for distributing the film. The ownership rights to such films may be held by the film sponsors, the film investors and/or the Company. As at December 31, 2013, the Company's film library consisted of 303 IMAX original films, which cover such subjects as space, wildlife, music, history and natural wonders. The Company currently has distribution rights with respect to 45 of such films. Large-format films that have been successfully distributed by the Company include: *Journey to the South Pacific*, which had a limited release in November 2013 and has grossed $0.1 million as at the end of 2013; *To the Arctic 3D*, which was released in April 2012 and has grossed over $21.6 million as at the end of 2013; *Born to be Wild 3D*, which was released by the Company and WB in April 2011 and has grossed over $36.0 million as at the end of 2013; *Hubble 3D*, which was released by the Company and WB in March 2010 and has grossed over $59.6 million as at the end of 2013; *Under the Sea 3D*, which was released by the Company and WB in February 2009 and has grossed over $47.3 million as at the end of 2013; *Deep Sea 3D*, which was released by the Company and WB in March 2006 and has grossed more than $95.5 million as at the end of 2013; *SPACE STATION*, which was released in April 2002 and has grossed over $123.7 million as at the end of 2013 and *T-REX: Back to the Cretaceous*, which was released by the Company in 1998 and has grossed over $103.9 million as at the end of 2013. Large-format films have significantly longer exhibition periods than conventional commercial films and many of the films in the large-format library have remained popular for many decades, including the films *To Fly!* (1976*), Grand Canyon — The Hidden Secrets* (1984*)* and *The Dream Is Alive* (1985).

Film Post-Production

IMAX Post/DKP Inc. (formerly David Keighley Productions 70MM Inc.), a wholly-owned subsidiary of the Company, provides film post-production and quality control services for large-format films (whether produced internally or externally), and digital post-production services.

Other

Theater Operations

As at December 31, 2013 and 2012, the Company had four owned and operated theaters on leased premises. In addition, the Company has a commercial arrangement with one theater resulting in the sharing of profits and losses. The Company also provides management services to two theaters. On January 30, 2014, the Company discontinued the operations of its owned and operated Nyack theater.

Cameras

The Company rents its proprietary 2D and 3D large-format film and digital cameras to third party production companies. The Company also provides production technical support and post-production services for a fee. All IMAX 2D and 3D film cameras run 65mm negative film, exposing 15 perforations per frame and resulting in an image area nearly 10x larger than standard 35mm film. The Company's film-based 3D camera, which is a patented, state-of-the-art dual and single filmstrip 3D camera, is among the most advanced motion picture cameras in the world and is the only 3D camera of its kind. The IMAX 3D camera simultaneously shoots left-eye and right-eye images and enables filmmakers to access a variety of locations, such as underwater or aboard aircraft. The Company has also recently developed a high speed 3D digital camera which utilizes a pair of the world's largest digital sensors.

Due to the increasing success major Hollywood filmmakers have had with IMAX cameras, the Company has identified the development and manufacture of additional IMAX cameras as an important research and development initiative.

The Company maintains cameras and other film equipment and also offers production advice and technical assistance to both documentary and Hollywood filmmakers.

MARKETING AND CUSTOMERS

The Company markets its theater systems through a direct sales force and marketing staff located in offices in Canada, the United States, Greater China, Europe and Asia. In addition, the Company has agreements with consultants, business brokers and real estate professionals to locate potential customers and theater sites for the Company on a commission basis. During 2012, the Company re-invested in its brand with a consumer brand marketing campaign that encompasses social media, in-theater marketing and Internet advertising. During 2013, the Company restructured its Marketing team to improve efficiency, partner more closely with exhibitors and studios and improve direct-to-consumer communication efforts. The Company has developed a significant and growing social media presence and is making heavy use of digital communications to reach a global audience, with a particular emphasis on China.

The commercial multiplex theater segment of the Company's theater network is now its largest segment, comprising 701 IMAX theaters, or 83.8%, of the 837 IMAX theaters open as at December 31, 2013. The Company's institutional customers include science and natural history museums, zoos, aquaria and other educational and cultural centers. The Company also sells or leases its theater systems to theme parks, private home theaters, tourist destination sites, fairs and expositions (the Commercial Destination segment). At December 31, 2013, approximately 49.3% of all opened IMAX theaters were in locations outside of the United States and Canada. The following table outlines the breakdown of the theater network by type and geographic location as at December 31:

	2013 Theater Network Base				2012 Theater Network Base			
	Commercial Multiplex	Commercial Destination	Institutional	Total	Commercial Multiplex	Commercial Destination	Institutional	Total
United States	319	6	55	380	290	6	57	353
Canada	34	2	8	44	34	2	7	43
Greater China(1)	150	—	23	173	108	—	20	128
Western Europe	49	7	11	67	42	7	11	60
Asia (excluding Greater China)	61	3	7	71	52	3	7	62
Russia & the CIS	40	—	—	40	32	—	—	32
Latin America(2)	25	—	11	36	19	—	10	29
Rest of the World	23	1	2	26	21	1	2	24
Total(3)	701	19	117	837	598	19	114	731

(1) Greater China includes the People's Republic of China, Hong Kong, Taiwan and Macau.
(2) Latin America includes South America, Central America and Mexico.
(3) Includes 382 and 316 theater systems in operation as at December 31, 2013 and 2012, respectively, under joint revenue sharing arrangements.

For information on revenue breakdown by geographic area, see note 19 to the accompanying audited consolidated financial statements in Item 8. The Company's foreign operations are subject to certain risks. See "Risk Factors – The Company conducts business internationally which exposes it to uncertainties and risks that could negatively affect its operations and sales" and "Risk Factors – The Company faces risks in connection with the continued expansion of its business in China" in Item 1A. The Company's two largest customers as at December 31, 2013, collectively represent 37.6% of the Company's network base of theaters and 19.9% of revenues.

INDUSTRY AND COMPETITION

In recent years, as the motion picture industry has transitioned from film projection to digital projection, a number of companies have introduced digital 3D projection technology and, since 2008, an increasing number of Hollywood features have been exhibited using these technologies. According to the National Association of Theater Owners, as at December 31, 2013, there were approximately 16,277 conventional-sized screens in North American multiplexes equipped with such digital 3D systems. In 2008, the Company introduced its proprietary digitally-based projector which is capable of 2D and 3D presentations on large screens and which comprises the majority of its current (and, the Company expects, virtually all of its future) theater system sales. Over the last several years, a number of commercial exhibitors have introduced their own large screen branded theaters. In addition, the Company has historically competed with manufacturers of large-format film projectors. The Company believes that all of these alternative film formats deliver images and experiences that are inferior to *The* IMAX *Experience*.

The Company may also face competition in the future from companies in the entertainment industry with new technologies and/or substantially greater capital resources to develop and support them. The Company also faces in-home competition from a number of alternative motion picture distribution channels such as home video, pay-per-view, video-on-demand, DVD, Internet and syndicated and broadcast television. The Company further competes for the public's leisure time and disposable income with other forms of entertainment, including gaming, sporting events, concerts, live theater, social media and restaurants.

The Company believes that its competitive strengths include the value of the IMAX brand name, the premium IMAX consumer experience, the design, quality and historic reliability rate of IMAX theater systems, the return on investment of an IMAX theater, the number and quality of IMAX films that it distributes, the relationships the Company maintains with prominent Hollywood filmmakers, a number of whom desire to film portions of their movies with IMAX cameras, the quality of the sound system components included with the IMAX theater, the availability of Hollywood event films to IMAX theaters through IMAX DMR technology, consumer loyalty and the level of the Company's service and maintenance and extended warranty efforts. The Company believes that all of the best performing premium theaters in the world are IMAX theaters.

THE IMAX BRAND

The world-famous IMAX brand stands for the highest-quality, most immersive motion picture entertainment. Consumer research conducted for the Company in the U.S. by a third-party research firm shows that the IMAX brand is known for cutting-edge technology and an experience that immerses audiences in the movie. The research also shows that the brand inspires strong consumer loyalty and that consumers place a premium on it, often willing to travel significantly farther and pay more for The IMAX Experience than for a conventional movie. The Company believes that its significant brand loyalty among consumers provides it with a strong, sustainable position in the exhibition industry. Recognition of the IMAX brand name cuts across geographic and demographic boundaries. The Company believes that the strength of the IMAX brand has resulted in IMAX DMR films significantly outperforming other formats on a per screen basis.

The Company believes the strength of the IMAX brand is an asset that has helped to establish the IMAX theater network as a unique and desirable release window for Hollywood movies. In 2013, the Company reinvested in its brand with consumer brand marketing that encompassed social media, in-theater marketing and traditional and digital advertising. The company also recruited a team of seasoned international marketing talent to improve the global reach and relevance of its marketing activities.

RESEARCH AND DEVELOPMENT

The Company believes that it is one of the world's leading entertainment technology companies with significant proprietary expertise in digital and film-based projection and sound system component design, engineering and imaging technology, particularly in 3D. During 2012 and 2013, the Company increased its level of research and development as it is developing its next-generation laser-based projection system which is expected to provide greater brightness and clarity, a wider colour gamut and deeper blacks, while consuming less power and lasting longer than existing digital technology, to ensure that the Company continues to provide the highest quality, premier movie going experience available to consumers. A higher level of research and development is expected to continue in 2014 to support the development of the laser-based digital projection system. In addition, the Company plans to continue research and development activity in the future in other areas considered important to the Company's continued commercial success, including further improving the reliability of its projectors, developing and manufacturing more IMAX cameras, enhancing the Company's 2D and 3D image quality, expanding the applicability of the Company's digital technology, developing IMAX theater systems' capabilities in both home and live entertainment and further enhancing the IMAX theater and sound system design through the addition of more channels, improvements to the Company's proprietary tuning system and mastering processes.

The motion picture industry has been, and will continue to be, affected by the development of digital technologies, particularly in the areas of content creation (image capture), post-production, digital re-mastering (such as IMAX DMR), distribution and display (projection). As such, the Company has made significant investments in digital technologies, including the development of a proprietary technology to digitally enhance image resolution and quality of motion picture films, the creation of an IMAX digital projector and the licensing of prominent laser illumination technology. Accordingly, the Company holds a number of patents, patents pending and other intellectual property rights in these areas. In addition, the Company holds numerous digital patents and relationships with key manufacturers and suppliers in digital technology.

In order to keep the Company at the forefront of digital technology, the Company has made strategic investments in laser technology. In 2011, the Company announced the completion of a deal in which it secured certain license rights to a portfolio of intellectual property in the digital cinema field owned by the Eastman Kodak Company ("Kodak"). The transaction involves exclusive rights to technology related to laser projection as well as rights in the digital cinema field to a broader range of Kodak technology. On February 7, 2012, the Company announced an agreement with Barco N.V. ("Barco") to co-develop a laser-based digital projection system that incorporates Kodak technology. The Company believes that these arrangements with Kodak and Barco will enable IMAX laser projectors to present greater brightness and clarity, a wider color gamut and deeper blacks, and consume less power and last longer than existing digital technology. The Company believes that a laser projection solution will be the first IMAX digital projection system capable of illuminating the largest screens in its network, which are currently film-based, and will enhance the access of these screens to the full array of IMAX digital content. As of December 31, 2013, the Company had 62 laser-based digital theater systems in its backlog.

In 2009, the Company developed its first 3D digital camera primarily for use in IMAX documentary productions. Portions of *Born to Be Wild 3D* were filmed with the IMAX 3D digital camera and the camera has subsequently been used to film portions of a new wildlife documentary, *Island of Lemurs: Madagascar* scheduled to be released in 2014. Due to the increasing success major Hollywood filmmakers have had with IMAX cameras, the Company has identified the development and manufacture of additional IMAX cameras as an important research and development initiative. To that end, the Company is also in early stages of development of an IMAX 2D digital camera for use by Hollywood directors who are seeking IMAX differentiation for portions of their movies.

The Company expects to deploy its proprietary expertise in image technology and 3D technology, as well as its proprietary film content and the IMAX brand, for applications in in-home entertainment technology. In December 2013, the Company announced a joint venture with TCL to design, develop, manufacture and sell a premium home theater system. The premium home theater system is expected to incorporate 4K projection technology, as well as components of IMAX's projection and sound technology adapted for a broader home environment. The premium home theater system will also incorporate PRIMA technology that will enable the viewing of current theatrical releases that have been digitally re-mastered with IMAX enhancement technology.

For the years ended December 31, 2013, 2012, and 2011, the Company recorded research and development expenses of $14.8 million, $11.4 million and $7.8 million, respectively. As at December 31, 2013, 90 of the Company's employees were connected with research and development projects.

MANUFACTURING AND SERVICE

Projector Component Manufacturing

The Company assembles the projector of its theater systems at its office in Mississauga, Ontario, Canada (near Toronto). The Company develops and designs all of the key elements of the proprietary technology involved in this component. Fabrication of a majority of parts and sub-assemblies is subcontracted to a group of carefully pre-qualified third-party suppliers. Manufacture and supply contracts are signed for the delivery of the component on an order-by-order basis. The Company believes its significant suppliers will continue to supply quality products in quantities sufficient to satisfy its needs. The Company inspects all parts and sub-assemblies, completes the final assembly and then subjects the projector to comprehensive testing individually and as a system prior to shipment. In 2013, these projectors, including the Company's digital projection system, had reliability rates based on scheduled shows of approximately 99.9%.

Sound System Component Manufacturing

The Company develops, designs and assembles the key elements of its theater sound system component. The standard IMAX theater sound system component comprises parts from a variety of sources, with approximately 50% of the materials of each sound system attributable to proprietary parts provided under original equipment manufacturers agreements with outside vendors. These proprietary parts include custom loudspeaker enclosures and horns, specialized amplifiers, and signal processing and control equipment. The Company inspects all parts and sub-assemblies, completes the final assembly and then subjects the sound system component to comprehensive testing individually and as a system prior to shipment.

Screen and Other Components

The Company purchases its screen component and glasses cleaning equipment from third parties. The standard screen system component is comprised of a projection screen manufactured to IMAX specifications and a frame to hang the projection screen. The proprietary glasses cleaning machine is a stand-alone unit that is connected to the theater's water and electrical supply to automate the cleaning of 3D glasses.

Maintenance and Extended Warranty Services

The Company also provides ongoing maintenance and extended warranty services to IMAX theater systems. These arrangements are usually for a separate fee, although the Company often includes free service in the initial year of an arrangement. The maintenance and extended warranty arrangements include service, maintenance and replacement parts for theater systems.

To support the IMAX theater network, the Company has personnel stationed in major markets throughout the world who provide periodic and emergency maintenance and extended warranty services on existing theater systems. The Company provides various levels of maintenance and warranty services, which are priced accordingly. Under full service programs, Company personnel typically visit each theater every six months to provide preventative maintenance, cleaning and inspection services and emergency visits to resolve problems and issues with the theater system. Under some arrangements, customers can elect to participate in a service partnership program whereby the Company trains a customer's technician to carry out certain aspects of maintenance. Under such shared maintenance arrangements, the Company participates in certain of the customer's maintenance checks each year, provides a specified number of emergency visits and provides spare parts, as necessary. For digital systems, the Company provides pre-emptive maintenance through minor bug fixes, and also provides remote system monitoring and a network operations center that provides continuous access to product experts.

PATENTS AND TRADEMARKS

The Company's inventions cover various aspects of its proprietary technology and many of these inventions are protected by Letters of Patent or applications filed throughout the world, most significantly in the United States, Canada, Belgium, Japan, France, Germany and the United Kingdom. The subject matter covered by these patents, applications and other licenses encompasses theater design and geometry, electronic circuitry and mechanisms employed in projectors and projection equipment (including 3D projection equipment), a method for synchronizing digital data, a method of generating stereoscopic (3D) imaging data from a monoscopic (2D) source, a process for digitally re-mastering 35mm films into large-format, a method for increasing the dynamic range and contrast of projectors, a method for visibly seaming or superimposing images from multiple projectors and other inventions relating to digital projectors. In 2011, the Company entered into a deal in which it secured the exclusive license rights from Kodak to a portfolio of more than 50 patent families covering laser projection technology as well as certain exclusive rights to a broad range of Kodak patents in the field of digital cinema. The Company has been and will continue to be diligent in the protection of its proprietary interests.

As at December 31, 2013, the Company holds or licenses 99 patents, has 35 patents pending in the United States and has corresponding patents or filed applications in many countries throughout the world. While the Company considers its patents to be important to the overall conduct of its business, it does not consider any particular patent essential to its operations. Certain of the Company's patents in the United States, Canada and Japan for improvements to the IMAX projection system components expire between 2016 and 2028.

The Company owns or otherwise has rights to trademarks and trade names used in conjunction with the sale of its products, systems and services. The following trademarks are considered significant in terms of the current and contemplated operations of the Company: IMAX®, IMAX® Dome, IMAX® 3D, IMAX® 3D Dome, Experience It In IMAX®, *The* IMAX *Experience*®, *An* IMAX *Experience*®, *An* IMAX 3D *Experience*®, IMAX DMR®, DMR®, IMAX nXos®, IMAX think big®, think big® and IMAX Is Believing. These trademarks are widely protected by registration or common law throughout the world. The Company also owns the service mark IMAX THEATRE™.

EMPLOYEES

The Company had 541 employees as at December 31, 2013, compared to 526 employees as at December 31, 2012. Both employee counts exclude hourly employees at the Company's owned and operated theaters.

AVAILABLE INFORMATION

The Company makes available, free of charge, its Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K as soon as reasonably practicable after such filings have been made with the United States Securities and Exchange Commission (the "SEC").The public may read and copy any materials the Company files with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549, as well as obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Reports may be obtained through the Company's website at www.imax.com or by calling the Company's Investor Relations Department at 212-821-0100.

Item 1A. ***Risk Factors***

If any of the risks described below occurs, the Company's business, operating results and financial condition could be materially adversely affected.

The risks described below are not the only ones the Company faces. Additional risks not presently known to the Company or that it deems immaterial, may also impair its business or operations.

The Company depends principally on commercial movie exhibitors to purchase or lease IMAX theater systems, to supply box-office revenue under joint revenue sharing arrangements and under its sales and sales-type lease agreements and to supply venues in which to exhibit IMAX DMR films and the Company can make no assurances that exhibitors will continue to do any of these things.

The Company's primary customers are commercial multiplex exhibitors, whose systems represent 95.3% of the 407 systems in the Company's backlog as at December 31, 2013. The Company is unable to predict if, or when, they or other exhibitors will purchase or lease IMAX theater systems or enter into joint revenue sharing arrangements with the Company, or whether any of the Company's existing customers will continue to do any of the foregoing. If exhibitors choose to reduce their levels of expansion or decide not to purchase or lease IMAX theater systems or enter into joint revenue sharing arrangements with the Company, the Company's revenues would not increase at an anticipated rate and motion picture studios may be less willing to convert their films into the Company's format for exhibition in commercial IMAX theaters. As a result, the Company's future revenues and cash flows could be adversely affected.

The success of the IMAX theater network is directly related to the availability and success of IMAX DMR films for which there can be no guarantee.

An important factor affecting the growth and success of the IMAX theater network is the availability of films for IMAX theaters and the box-office performance of such films. The Company itself produces only a small number of such films and, as a result, the Company relies principally on films produced by third party filmmakers and studios, both Hollywood and local language features converted into the Company's large format using the Company's IMAX DMR technology. In 2013, 38 IMAX DMR films were released by studios to the worldwide IMAX theater network. There is no guarantee that filmmakers and studios will continue to release films to the IMAX theater network, or that the films they produce will be commercially successful. The steady flow and successful box-office performance of IMAX DMR releases have become increasingly important to the Company's financial performance as the number of joint revenue sharing arrangements included in the overall IMAX network has grown considerably. The Company is increasingly directly impacted by box-office results for the films released to the IMAX network through its joint revenue sharing arrangements as well as through the percentage of the box-office receipts the Company receives from the studios releasing IMAX DMR films, and the Company's continued ability to find suitable partners for joint revenue share arrangements and to sell IMAX theater systems also depends on the number and commercial success of films released to its network. The commercial success of films released to IMAX theaters depends on a number of factors outside of the Company's control, including whether the film receives critical acclaim, the timing of its release, the success of the marketing efforts of the studio releasing the film and consumer preferences. Moreover, films can be subject to delays in production or changes in release schedule, which can negatively impact the number, timing and quality of IMAX DMR and IMAX original films released to the IMAX theater network.

The introduction of new, competing products and technologies could harm the Company's business.

The out-of-home entertainment industry is very competitive, and the Company faces a number of competitive challenges. According to the National Association of Theater Owners, as at December 31, 2013, there were approximately 16,277 conventional-sized screens in North American multiplexes equipped with digital 3D systems. In addition, some commercial exhibitors have introduced their own branded, large-screen 3D auditoriums and in many cases have marketed those auditoriums as having the same quality or attributes as an IMAX theater. The Company also may face competition in the future from companies in the entertainment industry with new technologies and/or substantially greater capital resources to develop and support them. If the Company is unable to continue to deliver a premium movie-going experience, or if other technologies surpass those of the Company, the Company may be unable to continue to produce theater systems which are premium to, or differentiated from, other theater systems. If the Company is unable to produce a differentiated theater experience, consumers may be unwilling to pay the price premiums associated with the cost of IMAX theater tickets and box-office performance of IMAX films may decline. Declining box-office performance of IMAX films would materially and adversely harm the Company's business and prospects. The Company also faces in-home competition from a number of alternative motion picture distribution channels such as home video, pay-per-view, video-on-demand, DVD, Internet and syndicated and broadcast television. The Company further competes for the public's leisure time and disposable income with other forms of entertainment, including gaming, sporting events, concerts, live theater, social media and restaurants.

Failure to respond adequately or in a timely fashion to changes and advancements in digital technology could negatively affect the Company's business.

There have been a number of advancements in the digital cinema field in recent years. In order to keep pace with these changes and in order to continue to provide an experience which is premium to and differentiated from conventional cinema experiences, the Company has made, and expects to continue to make, significant investments in digital technology in the form of research and development and the acquisition of third party intellectual property and/or proprietary technology. Recently, the Company has made significant investments in laser technology as part of its effort to develop a next-generation laser-based digital projection system. The process of developing new technologies is inherently uncertain, and the Company can provide no assurance its investments will result in commercially viable advancements to the Company's existing products or in commercially successful new products, or that any such advancements or products will be developed within the timeframe expected.

The Company conducts business internationally, which exposes it to uncertainties and risks that could negatively affect its operations, sales and future growth prospects.

A significant portion of the Company's revenues are generated by customers located outside the United States and Canada. Approximately 53%, 48% and 46% of its revenues were derived outside of the United States and Canada in 2013, 2012 and 2011, respectively. In fact, 2013 marked the first year in the Company's history that revenues and gross box-office derived from outside the United States and Canada exceeded revenues and gross box-office from the United States and Canada. As at December 31, 2013, approximately 86.5% of IMAX theater systems arrangements in backlog are scheduled to be installed in international markets. Accordingly, the Company expects to expand its international operations to account for an increasingly significant portion of its revenues in the future. There are a number of risks associated with operating in international markets that could negatively affect the Company's operations, sales and future growth prospects. These risks include:

- new restrictions on access to markets, both for theater systems and films;
- unusual or burdensome foreign laws or regulatory requirements or unexpected changes to those laws or requirements;
- fluctuations in the value of foreign currency versus the U.S. dollar and potential currency devaluations;
- new tariffs, trade protection measures, import or export licensing requirements, trade embargoes and other trade barriers;
- imposition of foreign exchange controls in such foreign jurisdictions;
- dependence on foreign distributors and their sales channels;
- difficulties in staffing and managing foreign operations;
- local business practices that can present challenges to compliance with applicable anti-corruption and bribery laws;
- difficulties in establishing market-appropriate pricing;
- adverse changes in monetary and/or tax policies;
- poor recognition of intellectual property rights;
- inflation;
- requirements to provide performance bonds and letters of credit to international customers to secure system component deliveries; and
- political, economic and social instability.

As the Company begins to expand the number of its theaters under joint revenue sharing arrangements in international markets, the Company's revenues from its international operations will become increasingly dependent on the box-office performance of its films. In addition, as the Company's international network has expanded, the Company has signed deals with movie studios in other countries to convert their films to the Company's large format and release them to IMAX theaters. The Company may be unable to select films which will be successful in international markets or unsuccessful in selecting the right mix of Hollywood and local DMR films in a particular country or region. Also, conflicts in international release schedules may make it difficult to release every IMAX film in certain markets. Finally, box-office reporting in certain countries may be less accurate and therefore less reliable than in the United States and Canada.

The Company faces risks in connection with the continued expansion of its business in China.

At present, Greater China is the Company's second-largest and fastest growing market. As at December 31, 2013, the Company had 173 theaters operating in Greater China with an additional 239 theaters (includes 2 upgrades) in backlog that are scheduled to be installed in Greater China by 2021. The Company has made, and continues to make significant investments in its China business. In 2011, the Company formed IMAX China, a wholly-owned subsidiary of the Company, which as of December 31, 2013 had offices in Shanghai and Beijing and 57 employees. In 2013, the Company and Wanda Cinema Line Corporation ("Wanda") announced amendments of the parties' original 2011 joint revenue sharing arrangement for an additional 120 IMAX theaters to be located throughout China. The most recent expansion brings Wanda's total commitment to 210 IMAX theater systems, of which 195 are under the parties' joint revenue sharing arrangement, and which makes it the Company's largest single international partnership to date. In addition, the Company has released an increasing number of Chinese IMAX DMR films to its growing network in Greater China in recent years, including 5 films in 2013. In October 2013, the Company also announced its joint venture with TCL to design, develop and manufacture a premium home theater system, which is set to further expand the scope of the Company's operations in China. As the Company continues to further its commitment to China, it is increasingly exposed to risks in that region. These risks include changes in laws and regulations, currency fluctuations, increased competition and changes in economic conditions, including those related to consumer spending. Adverse developments in these areas could cause the Company to lose some or all of its investment in China and could cause the Company to fail to achieve anticipated growth.

Moreover, certain risks and uncertainties of doing business in China are solely within the control of the Chinese government, and Chinese law regulates both the scope of the Company's investment in China and the business conducted by it within China. For instance, the Chinese government regulates both the number and timing or terms of Hollywood films released to the China market. The Company cannot provide assurance that the Chinese government will continue to permit the release of IMAX films in China or that the timing of IMAX releases will be favorable to the Company. There are also uncertainties regarding the interpretation and application of laws and regulations and the enforceability of intellectual property and contract rights in China. If the Company were unable to navigate China's regulatory environment, including with respect to its current customs inquiry, or if the Company were unable to enforce its intellectual property or contract rights in China, the Company's business could be adversely impacted. See note 13(g) "Contingencies and Guarantees" of the accompanying audited consolidated financial statements in Item 8 for more information.

Under common ownership, Wanda and AMC together account for a significant and growing portion of the Company's revenue and backlog. A deterioration in the Company's relationship with Wanda and/or AMC could materially, adversely affect the Company's business, financial condition or results of operation.

In 2012, Dalian Wanda Group Co., Ltd ("Dalian Wanda"), the parent company of Wanda Cinema Line ("Wanda"), acquired AMC Entertainment Holdings, Inc. ("AMC"). Prior to the acquisition, AMC and Wanda were, respectively, the Company's first and third largest customers. In December 2013, AMC completed an initial public offering of approximately 20% of its outstanding shares, with Dalian Wanda retaining the approximately 80% remaining. Under common ownership, Wanda and AMC together represent approximately 13.9%, 12.2% and 14.1% of the Company's total revenue in 2013, 2012 and 2011, respectively. On December 18, 2013, Wanda exercised its option to expand its joint revenue sharing arrangement with IMAX with 80 additional IMAX theater systems. With the latest expansion of the Company's joint revenue sharing arrangement with Wanda, Wanda and AMC together represented approximately 31% of the Company's backlog as of December 31, 2013. The share of the Company's revenue that is generated by Wanda and AMC is expected to continue to grow as the significant number of Wanda theater systems currently in backlog are opened. No assurance can be given that either Wanda and/or AMC will continue to purchase theater systems and/or enter into joint revenue sharing arrangements with the Company and if so, whether contractual terms will be affected. If the Company does business with either Wanda and/or AMC less frequently or on less favorable terms than currently, the Company's business, financial condition or results of operations may be adversely affected.

The Company is undertaking new lines of business and these new business initiatives may not be successful.

The Company is undertaking new lines of business. These initiatives represent new areas of growth for the Company and could include the offering of new products and services that may not be accepted by the market. Some areas of potential growth for the Company are in the field of in-home entertainment technology, which is an intensively competitive business and which is dependent on consumer demand, over which the Company has no control. If any new business in which the Company invests or attempts to develop does not progress as planned, the Company may be adversely affected by investment expenses that have not led to the anticipated results, by the distraction of management from its core business or by damage to its brand or reputation.

In addition, these initiatives may involve the formation of joint ventures and business alliances. While the Company seeks to employ the optimal structure for each such business alliance, the alliance may require a high level of cooperation with and reliance on our partners and there is a possibility that the Company may have disagreements with its relevant partner with respect to financing, technological management, product development, management strategies or otherwise. Any such disagreement may cause the joint venture or business alliance to be terminated.

The Company may not be able to adequately protect its intellectual property, and competitors could misappropriate its technology or brand, which could weaken its competitive position.

The Company depends on its proprietary knowledge regarding IMAX theater systems and digital and film technology. The Company relies principally upon a combination of copyright, trademark, patent and trade secret laws, restrictions on disclosures and contractual provisions to protect its proprietary and intellectual property rights. These laws and procedures may not be adequate to prevent unauthorized parties from attempting to copy or otherwise obtain the Company’s processes and technology or deter others from developing similar processes or technology, which could weaken the Company’s competitive position and require the Company to incur costs to secure enforcement of its intellectual property rights. The protection provided to the Company’s proprietary technology by the laws of foreign jurisdictions may not protect it as fully as the laws of Canada or the United States. The lack of protection afforded to intellectual property rights in certain international jurisdictions may be increasingly problematic given the extent to which future growth of the Company is anticipated to come from foreign jurisdictions. Finally, some of the underlying technologies of the Company’s products and system components are not covered by patents or patent applications.

The Company owns or licenses patents issued and patent applications pending, including those covering its digital projector, digital conversion technology and laser illumination technology. The Company’s patents are filed in the United States, often with corresponding patents or filed applications in other jurisdictions, such as Canada, China, Belgium, Japan, France, Germany and the United Kingdom. The patent applications pending may not be issued or the patents may not provide the Company with any competitive advantages. The patent applications may also be challenged by third parties. Several of the Company’s issued patents in the United States, Canada and Japan for improvements to IMAX projectors, IMAX 3D Dome and sound system components expire between 2016 and 2028. Any claims or litigation initiated by the Company to protect its proprietary technology could be time consuming, costly and divert the attention of its technical and management resources.

The IMAX brand stands for the highest quality, most immersive motion picture entertainment. Protecting the IMAX brand is a critical element in maintaining the Company’s relationships with studios and its exhibitor clients. Though the Company relies on a combination of trademark and copyright law as well as its contractual provisions to protect the IMAX brand, those protections may not be adequate to prevent erosion of the brand over time, particularly in foreign jurisdictions. Erosion of the brand could threaten the demand for the Company’s products and services and impair its ability to grow future revenue streams.

The Company’s implementation of a new enterprise resource planning (“ERP”) system may adversely affect the Company’s business and results of operations or the effectiveness of internal control over financial reporting.

The Company began implementation of a new ERP system in the first quarter of 2013. When implementation is complete, the new ERP system is expected to deliver a new generation of work processes and information systems. However, ERP implementations are complex and time-consuming projects that involve substantial expenditures on system software and implementation activities that take several years. ERP implementations also require transformation of business and financial processes in order to reap the benefits of the ERP system. If the Company does not effectively implement the ERP system as planned or if the system does not operate as intended, it could adversely affect the Company’s operations, financial reporting systems, the Company’s ability to produce financial reports, and/or the effectiveness of internal control over financial reporting. The Company continues to review the implementation effort as well as the impact on its internal controls over financial reporting and, where appropriate, is making changes to these controls over financial reporting to address these system changes.

General political, social and economic conditions can affect the Company’s business by reducing both revenue generated from existing IMAX theater systems and the demand for new IMAX theater systems.

The Company’s success depends in part on general political, social and economic conditions and the willingness of consumers to purchase tickets to IMAX movies. If going to the movies becomes less popular, the Company’s business could be adversely affected. In addition, our operations could be adversely affected if consumers’ discretionary income falls as a result of an economic downturn.

In recent years, the majority of the Company's revenue has been directly derived from the box-office revenues of its films. Accordingly, any decline in attendance at commercial IMAX theaters could materially and adversely affect several sources of key revenue streams for the Company.

The Company also depends on the sale and lease of IMAX theater systems to commercial movie exhibitors to generate revenue. Commercial movie exhibitors generate revenues from consumer attendance at their theaters, which depends on the willingness of consumers to visit movie theaters and spend discretionary income at movie theaters. In the event of declining box-office and concession revenues, commercial exhibitors may be less willing to invest capital in new IMAX theaters.

The Company may experience adverse effects due to exchange rate fluctuations.

A substantial portion of the Company's revenues are denominated in U.S. dollars, while a substantial portion of its expenses are denominated in Canadian dollars. The Company also generates revenues in Chinese Yuan Renminbi, Euros and Japanese Yen. While the Company periodically enters into forward contracts to hedge its exposure to exchange rate fluctuations between the U.S. and the Canadian dollar, the Company may not be successful in reducing its exposure to these fluctuations. The use of derivative contracts is intended to mitigate or reduce transactional level volatility in the results of foreign operations, but does not completely eliminate volatility.

The issuance of the Company's common shares and the accumulation of shares by certain shareholders could result in the loss of the Company's ability to use certain of the Company's net operating losses.

As at December 31, 2013, the Company had approximately $14.8 million of U.S. consolidated federal tax and certain other state tax net operating loss carryforwards. Realization of some or all of the benefit from these U.S. net tax operating losses is dependent on the absence of certain "ownership changes" of the Company's common shares. An "ownership change," as defined in the applicable federal income tax rules, would place possible limitations, on an annual basis, on the use of such net operating losses to offset any future taxable income that the Company may generate. Such limitations, in conjunction with the net operating loss expiration provisions, could significantly reduce or effectively eliminate the Company's ability to use its U.S. net operating losses to offset any future taxable income.

The Company's revenues from existing customers are derived in part from financial reporting provided by its customers, which may be inaccurate or incomplete, resulting in lost or delayed revenues.

The Company's revenue under its joint revenue sharing arrangements, a portion of the Company's payments under lease or sales arrangements and its film license fees are based upon financial reporting provided by its customers. If such reporting is inaccurate, incomplete or withheld, the Company's ability to receive the appropriate payments in a timely fashion that are due to it may be impaired. The Company's contractual ability to audit IMAX theaters may not rectify payments lost or delayed as a result of customers not fulfilling their contractual obligations with respect to financial reporting.

There is collection risk associated with payments to be received over the terms of the Company's theater system agreements.

The Company is dependent in part on the viability of its exhibitors for collections under long-term leases, sales financing agreements and joint revenue sharing arrangements. Exhibitors or other operators may experience financial difficulties that could cause them to be unable to fulfill their contractual payment obligations to the Company. As a result, the Company's future revenues and cash flows could be adversely affected.

The Company may not convert all of its backlog into revenue and cash flows.

At December 31, 2013, the Company's sales backlog included 407 theater systems, consisting of 144 systems under sales arrangements and 263 theater systems under joint revenue sharing arrangements. The Company lists signed contracts for theater systems for which revenue has not been recognized as sales backlog prior to the time of revenue recognition. The total value of the sales backlog represents all signed theater system sale or lease agreements that are expected to be recognized as revenue in the future and includes initial fees along with the present value of fixed minimum ongoing fees due over the term, but excludes contingent fees in excess of fixed minimum ongoing fees that might be received in the future and maintenance and extended warranty fees. Notwithstanding the legal obligation to do so, not all of the Company's customers with which it has signed contracts may accept delivery of theater systems that are included in the Company's backlog. This could adversely affect the Company's future revenues and cash flows. In addition, customers with theater system obligations in backlog sometimes request that the Company agree to modify or reduce such obligations, which the Company has agreed to in the past under certain circumstances. Customer requested delays in the installation of theater systems in backlog remain a recurring and unpredictable part of the Company's business.

The Company is dependent on a single supplier, the Eastman Kodak Company, for its analog film.

Kodak is the Company's sole supplier of analog film. Kodak has stated publicly that it intends to continue to own and operate its film products business, and to date, Kodak has continued to supply the Company with analog film. However, the Company can provide no assurance that Kodak either will continue to supply analog film under terms acceptable to the Company, or that it will continue to manufacture film at all. Furthermore, Fujifilm Corporation, which had been another significant supplier of analog film to the movie industry, announced in September 2012 that it would cease production for motion pictures beginning in March 2013. Although the Company expects to release only a very small number of analog film prints in 2014, as of December 31, 2013, the Company had 141 film-based theaters in its network, and the Company also uses analog film in its film-based cameras. Without a sufficient supply of analog film, the Company may be unable to supply film prints to its film-based theater customers, and it may be unable to utilize its film-based cameras for shooting IMAX films.

The Company's operating results and cash flow can vary substantially from quarter to quarter and could increase the volatility of its share price.

The Company's operating results and cash flow can fluctuate substantially from quarter to quarter. In particular, fluctuations in theater system installations and gross box-office performance of IMAX DMR content can materially affect operating results. Factors that have affected the Company's operating results and cash flow in the past, and are likely to affect its operating results and cash flow in the future, include, among other things:

- the timing of signing and installation of new theater systems;
- the timing and commercial success of films distributed to the Company's theater network;
- the demand for, and acceptance of, its products and services;
- the recognition of revenue of sales and sales-type leases;
- the classification of leases as sales-type versus operating leases;
- the volume of orders received and that can be filled in the quarter;
- the level of its sales backlog;
- the signing of film distribution agreements;
- the financial performance of IMAX theaters operated by the Company's customers and by the Company;
- financial difficulties faced by customers, particularly customers in the commercial exhibition industry;
- the magnitude and timing of spending in relation to the Company's research and development efforts and related investments as well as new business initiatives; and
- the number and timing of joint revenue sharing arrangement installations, related capital expenditures and timing of related cash receipts.

Most of the Company's operating expenses are fixed in the short term. The Company may be unable to rapidly adjust its spending to compensate for any unexpected shortfall in sales, joint revenue sharing arrangements revenue or IMAX DMR revenue which would harm quarterly operating results, although the results of any quarterly period are not necessarily indicative of its results for any other quarter or for a full fiscal year.

The Company's theater system revenue can vary significantly from its cash flows under theater system sales or lease agreements.

The Company's theater systems revenue can vary significantly from the associated cash flows. The Company often provides financing to customers for theater systems on a long-term basis through long-term leases or notes receivables. The terms of leases or notes receivable are typically 10 years. The Company's sale and lease-type agreements typically provide for three major sources of cash flow related to theater systems:

- initial fees, which are paid in installments generally commencing upon the signing of the agreement until installation of the theater systems;
- ongoing fees, which are paid monthly after all theater systems have been installed and are generally equal to the greater of a fixed minimum amount per annum and a percentage of box-office receipts; and
- ongoing annual maintenance and extended warranty fees, which are generally payable commencing in the second year of theater operations.

Initial fees generally make up the vast majority of cash received under theater system sales or lease agreements for a theater arrangement.

For sales and sales-type leases, the revenue recorded is generally equal to the sum of initial fees and the present value of minimum ongoing fees due under the agreement. Cash received from initial fees in advance of meeting the revenue recognition criteria for the theater systems is recorded as deferred revenue. Contingent fees are recognized as they are reported by the theaters after annual minimum fixed fees are exceeded.

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, initial fees and minimum fixed ongoing fees are recognized as revenue on a straight-line basis over the lease term. Contingent fees are recognized as they are reported by the theaters after annual minimum fixed fees are exceeded.

As a result of the above, the revenue set forth in the Company's financial statements does not necessarily correlate with the Company's cash flow or cash position. Revenues include the present value of future contracted cash payments and there is no guarantee that the Company will receive such payments under its lease and sale agreements if its customers default on their payment obligations.

The Company's stock price has historically been volatile and declines in market price, including as a result a market downturn, may negatively affect its ability to raise capital, issue debt, secure customer business and retain employees.

The Company is listed on the New York Stock Exchange ("NYSE") and the Toronto Stock Exchange ("TSX") and its publicly traded shares have in the past experienced, and may continue to experience, significant price and volume fluctuations. This market volatility could reduce the market price of its common stock, regardless of the Company's operating performance. A decline in the capital markets generally, or an adjustment in the market price or trading volumes of the Company's publicly traded securities, may negatively affect its ability to raise capital, issue debt, secure customer business or retain employees. These factors, as well as general economic and geopolitical conditions, may have a material adverse effect on the market price of the Company's publicly traded securities.

The credit agreement governing the Company's senior secured credit facility contains significant restrictions that limit its operating and financial flexibility.

The credit agreement governing the Company's senior secured credit facility contains certain restrictive covenants that, among other things, limit its ability to:

- incur additional indebtedness;
- pay dividends and make distributions;
- repurchase stock;
- make certain investments;

- transfer or sell assets;
- create liens;
- enter into transactions with affiliates;
- issue or sell stock of subsidiaries;
- create dividend or other payment restrictions affecting restricted subsidiaries; and
- merge, consolidate, amalgamate or sell all or substantially all of its assets to another person.

These restrictive covenants impose operating and financial restrictions on the Company that limit the Company's ability to engage in acts that may be in the Company's long-term best interests.

The Company is subject to impairment losses on its film assets.

The Company amortizes its film assets, including IMAX DMR costs capitalized using the individual film forecast method, whereby the costs of film assets are amortized and participation costs are accrued for each film in the ratio of revenues earned in the current period to management's estimate of total revenues ultimately expected to be received for that title. Management regularly reviews, and revises when necessary, its estimates of ultimate revenues on a title-by-title basis, which may result in a change in the rate of amortization of the film assets and write-downs or impairments of film assets. Results of operations in future years include the amortization of the Company's film assets and may be significantly affected by periodic adjustments in amortization rates.

The Company is subject to impairment losses on its inventories.

The Company records write-downs for excess and obsolete inventory based upon current estimates of future events and conditions, including the anticipated installation dates for the current backlog of theater system contracts, technological developments, signings in negotiation and anticipated market acceptance of the Company's current and pending theater systems. Since the Company introduced a proprietary digitally-based IMAX projection system, increased customer acceptance and preference for the Company's digital projection system may subject existing film-based inventories to further write-downs (resulting in lower margins) as these theater systems become less desirable in the future.

If the Company's goodwill or long lived assets become impaired the Company may be required to record a significant charge to earnings.

Under United States Generally Accepted Accounting Principles ("U.S. GAAP"), the Company reviews its long lived assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is required to be qualitatively assessed at least annually and when events or changes in circumstances arise or can be quantitatively tested for impairment. Factors that may be considered a change in circumstances include (but are not limited to) a decline in stock price and market capitalization, declines in future cash flows, and slower growth rates in the Company's industry. The Company may be required to record a significant charge to earnings in its financial statements during the period in which any impairment of its goodwill or long lived assets is determined.

Changes in accounting and changes in management's estimates may affect the Company's reported earnings and operating income.

U.S. GAAP and accompanying accounting pronouncements, implementation guidelines and interpretations for many aspects of the Company's business, such as revenue recognition, film accounting, accounting for pensions and other postretirement benefits, accounting for income taxes, and treatment of goodwill or long lived assets, are highly complex and involve many subjective judgments. Changes in these rules, their interpretation, management's estimates, or changes in the Company's products or business could significantly change its reported future earnings and operating income and could add significant volatility to those measures, without a comparable underlying change in cash flow from operations. See "Critical Accounting Policies" in Item 7.

The Company relies on its key personnel, and the loss of one or more of those personnel could harm its ability to carry out its business strategy.

The Company's operations and prospects depend in large part on the performance and continued service of its senior management team. The Company may not find qualified replacements for any of these individuals if their services are no longer available. The loss of the services of one or more members of the Company's senior management team could adversely affect its ability to effectively pursue its business strategy.

Because the Company is incorporated in Canada, it may be difficult for plaintiffs to enforce against the Company liabilities based solely upon U.S. federal securities laws.

The Company is incorporated under the federal laws of Canada, some of its directors and officers are residents of Canada and a substantial portion of its assets and the assets of such directors and officers are located outside the United States. As a result, it may be difficult for U.S. plaintiffs to effect service within the United States upon those directors or officers who are not residents of the United States, or to realize against them or the Company in the United States upon judgments of courts of the United States predicated upon the civil liability under the U.S. federal securities laws. In addition, it may be difficult for plaintiffs to bring an original action outside of the United States against the Company to enforce liabilities based solely on U.S. federal securities laws.

Item 1B. *Unresolved Staff Comments*

None.

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Item 2. *Properties*

The Company's principal executive offices are located in Mississauga, Ontario, Canada, New York, New York, and Santa Monica, California. The Company's principal facilities are as follows:

	Operation	Own/Lease	Expiration
Mississauga, Ontario(1)	Headquarters, Administrative, Assembly and Research and Development	Own	N/A
Santa Monica, California	Sales, Marketing, Film Production and Post-Production	Lease	2015
Beijing, China	Sales	Lease	2015
New York, New York	Executive	Lease	2019
Tokyo, Japan	Sales, Marketing and Maintenance	Lease	2014
Shanghai, China	Sales, Marketing, Maintenance and Administrative	Lease	2014
Moscow, Russia	Sales	Lease	2014
London, United Kingdom	Sales	Lease	2014

(1) This facility is subject to a charge in favor of Wells Fargo Bank in connection with a secured term and revolving credit facility (see note 11 to the accompanying audited consolidated financial statements in Item 8).

The lease on the Company's current facility in Santa Monica, California is scheduled to expire 2015. During the first quarter of 2014, the Company anticipates purchasing land and commencing construction of a new Los Angeles-area facility in Playa Vista. The Company anticipates that construction of the new Playa Vista facility will be completed in 2015. A significant portion of the project is expected to be financed through a construction loan and related facility.

Item 3. ***Legal Proceedings***

In March 2005, the Company, together with Three-Dimensional Media Group, Ltd. ("3DMG"), filed a complaint in the U.S. District Court for the Central District of California, Western Division, against In-Three, Inc. ("In-Three") alleging patent infringement. On March 10, 2006, the Company and In-Three entered into a settlement agreement settling the dispute between the Company and In-Three. Despite the settlement reached between the Company and In-Three, co-plaintiff 3DMG refused to dismiss its claims against In-Three. Accordingly, the Company and In-Three moved jointly for a motion to dismiss the Company's and In-Three's claims. On August 24, 2010, the Court dismissed all of the claims pending between the Company and In-Three, thus dismissing the Company from the litigation.

On May 15, 2006, the Company initiated arbitration against 3DMG before the International Centre for Dispute Resolution in New York (the "ICDR"), alleging breaches of the license and consulting agreements between the Company and 3DMG. On June 15, 2006, 3DMG filed an answer denying any breaches and asserting counterclaims that the Company breached the parties' license agreement. On June 21, 2007, the ICDR unanimously denied 3DMG's Motion for Summary Judgment filed on April 11, 2007 concerning the Company's claims and 3DMG's counterclaims. The proceeding was suspended on May 4, 2009 due to failure of 3DMG to pay fees associated with the proceeding. The proceeding was further suspended on October 11, 2010 pending resolution of reexamination proceedings currently pending involving one of 3DMG's patents. The Company will continue to pursue its claims vigorously and believes that all allegations made by 3DMG are without merit. The Company further believes that the amount of loss, if any, suffered in connection with the counterclaims 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 the arbitration.

In January 2004, the Company and IMAX Theatre Services Ltd., a subsidiary of the Company, commenced an arbitration seeking damages before the International Court of Arbitration of the International Chambers of Commerce (the "ICC") with respect to the breach by Electronic Media Limited ("EML") of its December 2000 agreement with the Company. In June 2004, the Company commenced a related arbitration before the ICC against EML's affiliate, E-City Entertainment (I) PVT Limited ("E-City"), seeking damages as a result of E-City's breach of a September 2000 lease agreement. An arbitration hearing took place in November 2005 against E-City which considered all claims by the Company. On February 1, 2006, the ICC issued an award on liability finding unanimously in the Company's favor on all claims. Further hearings took place in July 2006 and December 2006. On August 24, 2007, the ICC issued an award unanimously in favor of the Company in the amount of $9.4 million, consisting of past and future rents owed to the Company under its lease agreements, plus interest and costs. In the award, the ICC upheld the validity and enforceability of the Company's theater system contract. The Company thereafter submitted its application to the arbitration panel for interest and costs. On March 27, 2008, the arbitration panel issued a final award in favor of the Company in the amount of $11.3 million, plus an additional $2,512 each day in interest from October 1, 2007 until the date the award is paid, which the Company is seeking to enforce and collect in full. In July 2008, E-City commenced a proceeding in Mumbai, India seeking an order that the ICC award may not be recognized in India. The Company has opposed that application on a number of grounds and seeks to have the ICC award recognized in India. On June 24, 2011, the Company commenced an application to the Ontario Superior Court of Justice for recognition of the final award. On December 2, 2011, the Ontario court issued an order recognizing the final award and requiring E-City to pay the Company $30,000 to cover the costs of the application. On January 18, 2012, the Company filed an application in New York State Supreme Court seeking recognition of the Ontario order in New York. On April 11, 2012, the New York court issued an order granting the Company's application leading to an entry of $15.5 million judgment in favor of the Company on May 4, 2012. On January 30, 2013, the Company filed an action in the New York Supreme Court seeking to collect the amount due under the New York judgment from certain entities and individuals affiliated with E-City. On June 13, 2013, the Bombay High Court ruled that it has jurisdiction over the proceeding but on November 19, 2013, the Supreme Court of India stayed proceedings in the High Court pending Supreme Court review of the High Court's ruling. The defendants in the New York action have answered and objected to the Company's petition, and they have moved to dismiss for improper service of process. The New York Court heard oral arguments on August 20, 2013 and has taken the matter under advisement.

The Company and certain of its officers and directors were named as defendants in eight purported class action lawsuits filed between August 11, 2006 and September 18, 2006, alleging violations of U.S. federal securities laws. These eight actions were filed in the U.S. District Court for the Southern District of New York (the "Court"). On January 18, 2007, the Court consolidated all eight class action lawsuits and appointed Westchester Capital Management, Inc. as the lead plaintiff and Abbey Spanier Rodd & Abrams, LLP as lead plaintiff's counsel. On October 2, 2007, plaintiffs filed a consolidated amended class action complaint. The amended complaint, brought on behalf of shareholders who purchased the Company's common stock on the NASDAQ between February 27, 2003 and July 20, 2007 (the "U.S. Class"), alleges primarily that the defendants engaged in securities fraud by disseminating materially false and misleading statements during the class period regarding the Company's revenue recognition of theater system installations, and failing to disclose material information concerning the Company's revenue recognition practices. The amended complaint also added PricewaterhouseCoopers LLP, the Company's auditors, as a defendant. On April 14, 2011, the Court issued an order appointing The Merger Fund as the lead plaintiff and Abbey Spanier Rodd & Abrams, LLP as lead plaintiff's counsel. On November 2, 2011, the parties entered into a memorandum of understanding containing the terms and conditions of a settlement of this action. On January 26, 2012, the parties executed and filed with the Court a formal stipulation of settlement and proposed form of notice to the class, which the Court preliminarily approved on February 1, 2012. Under the terms of the settlement, members of the U.S. Class who did not opt out of the settlement will release defendants from liability for all claims that were alleged in this action or could have been alleged in this action or any other proceeding (including the action in Canada as described in (d) of this note (the "Canadian Action") relating to the purchase of IMAX securities on the NASDAQ from February 27, 2003 and July 20, 2007 or the subject matter and facts relating to this action. As part of the settlement and in exchange for the release, defendants will pay $12.0 million to a settlement fund which amount will be funded by the carriers of the Company's directors and officers insurance policy and by PricewaterhouseCoopers LLP. On March 26, 2012, the parties executed and filed with the Court an amended formal stipulation of settlement and proposed form of notice to the class, which the court preliminarily approved on March 28, 2012. On June 20, 2012, the Court issued an order granting final approval of the settlement. The settlement is conditioned on the Company's receipt of an order from the court in the Canadian Action, the Ontario Superior Court of Justice, (the "Canadian Court") excluding from the class in the Canadian Action every member of the class in both actions who has not opted out of the U.S. settlement. A hearing on the motion for the order occurred on July 30, 2012 before the Canadian Court and on March 19, 2013, the Canadian Court issued a decision granting the Company's motion to exclude from the class in the Canadian Action every member of the classes in both actions who has not opted out of the U.S. settlement. However, no final order will be granted by the Court until the plaintiffs in the Canadian Action have exhausted their appeals.

A class action lawsuit was filed on September 20, 2006 in the Canadian Court against the Company and certain of its officers and directors, alleging violations of Canadian securities laws. This lawsuit was brought on behalf of shareholders who acquired the Company's securities between February 17, 2006 and August 9, 2006. The lawsuit seeks $210.0 million in compensatory and punitive damages, as well as costs. For reasons released December 14, 2009, the Canadian Court granted leave to the plaintiffs to amend their statement of claim to plead certain claims pursuant to the Securities Act (Ontario) against the Company and certain individuals and granted certification of the action as a class proceeding. These are procedural decisions, and do not contain any conclusions binding on a judge at trial as to the factual or legal merits of the claim. Leave to appeal those decisions was denied. The Company believes the allegations made against it in the statement of claim are meritless and will vigorously defend the matter, although no assurance can be given with respect to the ultimate outcome of such proceedings. The Company's directors' and officers' insurance policy provides for reimbursement of costs and expenses incurred in connection with this lawsuit as well as potential damages awarded, if any, subject to certain policy limits, exclusions and deductibles.

On June 26, 2013, the Company filed suit against GDC Technology (USA) LLC and certain of its affiliates (collectively, "GDC") in the U.S. District Court for the Central District of California alleging trade secret misappropriation, unjust enrichment and unfair competition and seeking injunctive relief, compensatory damages, and punitive damages. This action is based on GDC's commercial exploitation of large format digital theater projection system and film conversion technologies, which the lawsuit alleges were stolen from the Company by its former employee, Gary Tsui, and then provided by Tsui to various technology companies in China. The Company's action against GDC alleges that GDC is now knowingly and actively using these trade secrets and marketing large format film projection systems and conversion technology that the Company is informed and believes were derived from and incorporate the trade secrets stolen by Tsui. On August 12, 2013, in light of the complicating effects of the interwoven corporate relationships among the GDC defendants on federal diversity jurisdiction, the Company voluntarily dismissed the federal court action and filed a complaint in the Los Angeles County Superior Court alleging the same set of operative facts and same causes of action that had been contained in the District Court action. GDC has been served with the lawsuit, but has not yet filed its response. The lawsuit is at a very early stage, and the Company cannot predict the timing or outcome of this matter at this time.

The Company is also involved in litigation against Gary Tsui ("Tsui") and related parties in both Canada and China based on Tsui's theft and use of the Company's trade secrets. The Company filed a lawsuit against Tsui and other related individuals and entities in the Ontario Superior Court of Justice on December 8, 2009, through which the Company sought injunctive relief to prohibit Tsui from disclosing or using the Company's confidential and proprietary information and from competing with the Company. The Company is also seeking compensatory and punitive damages. The Ontario Court awarded the injunctive relief sought by the Company on December 22, 2009. On April 30, 2013, a warrant was issued for Tsui's arrest based on his refusal to comply with the orders of the Ontario court, including with respect to the continued use of the Company's trade secrets. The Ontario action is to proceed to trial in mid-2014, though all of Tsui's defenses were stricken by the Ontario court in a January 2012 contempt order. The Company also initiated suits against Tsui and related parties in Beijing No. 1 Intermediate People's Court in Beijing, China on February 16, 2013 and December 3, 2013, seeking relief similar to that sought in the Ontario action. The actions in Canada and China remain ongoing.

In March 2013, IMAX (Shanghai) Multimedia Technology Co., Ltd. ("IMAX China"), the Company's wholly-owned subsidiary in China, received notice from the Shanghai office of the General Administration of Customs that it had been selected for a customs audit. The Company is unable to assess the potential impact, if any, of the audit at this time.

In addition to the matters described above, the Company is currently involved in other legal proceedings or governmental inquiries 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 of any such proceedings.

Item 4. *Mine Safety Disclosures*

Not applicable.

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PART II

Item 5. *Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities*

The Company's common shares are listed for trading under the trading symbol "IMAX" on the NYSE. Prior to February 11, 2011, the Company's common shares were listed for trading on the NASDAQ. The common shares are also listed on the TSX under the trading symbol "IMX." The following table sets forth the range of high and low sales prices per share for the common shares on NYSE and the TSX.

	U.S. Dollars	
	High	Low
NYSE		
Year ended December 31, 2013		
Fourth quarter	$30.83	$25.84
Third quarter	$30.24	$24.70
Second quarter	$28.74	$23.80
First quarter	$26.80	$22.67
Year ended December 31, 2012		
Fourth quarter	$23.20	$20.23
Third quarter	$25.34	$19.21
Second quarter	$25.03	$19.19
First quarter	$26.43	$17.83

	Canadian Dollars	
	High	Low
TSX		
Year ended December 31, 2013		
Fourth quarter	$32.47	$26.77
Third quarter	$31.05	$25.83
Second quarter	$29.43	$24.99
First quarter	$27.41	$22.31
Year ended December 31, 2012		
Fourth quarter	$23.22	$19.76
Third quarter	$25.73	$18.89
Second quarter	$24.64	$19.94
First quarter	$26.15	$18.03

As at January 31, 2014, the Company had approximately 258 registered holders of record of the Company's common shares.

Over the last four years, the Company has not paid, nor does the Company have any current plans to pay, cash dividends on its common shares. The payment of dividends by the Company is subject to certain restrictions under the terms of the Company's indebtedness (see note 11 to the accompanying audited consolidated financial statements in Item 8 and "Liquidity and Capital Resources" in Item 7). The payment of any future dividends will be determined by the Board of Directors in light of conditions then existing, including the Company's financial condition and requirements, future prospects, restrictions in financing agreements, business conditions and other factors deemed relevant by the Board of Directors.

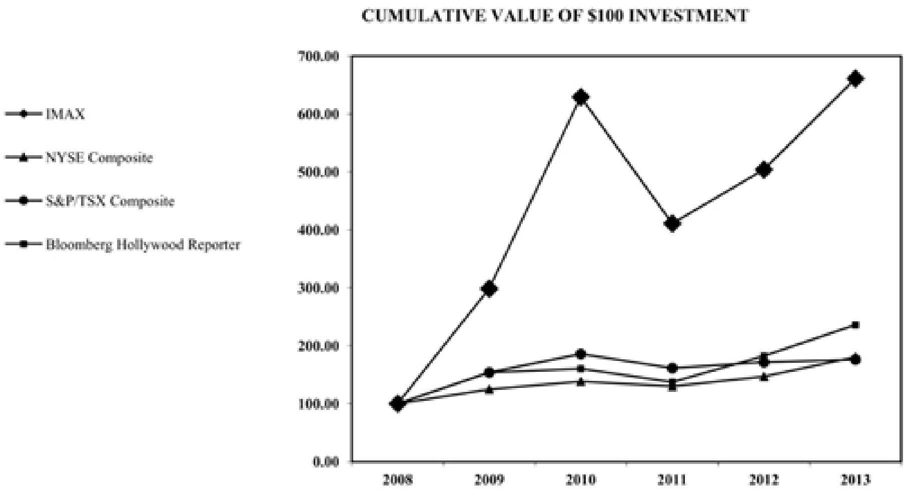
Equity Compensation Plans

The following table sets forth information regarding the Company's Equity Compensation Plan as at December 31, 2013:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by security holders	6,527,261	$ 21.31	4,003,462
Equity compensation plans not approved by security holders	nil	nil	nil
Total	6,527,261	$ 21.31	4,003,462

Performance Graph

The following graph compares the total cumulative shareholder return for $100 invested (assumes that all dividends were reinvested) in common shares of the Company against the cumulative total return of the NYSE Composite Index, the S&P/TSX Composite Index and the Bloomberg Hollywood Reporter Index on December 31, 2008 to the end of the most recently completed fiscal year.



	31-Dec-08	31-Dec-09	31-Dec-10	31-Dec-11	31-Dec-12	31-Dec-13
IMAX	100.00	298.43	629.37	410.99	504.04	660.99
NYSE Composite	100.00	124.80	138.34	129.88	146.66	180.65
S&P/TSX Composite	100.00	153.90	185.83	161.27	171.52	176.09
Bloomberg Hollywood Reporter	100.00	153.61	160.36	137.25	182.35	235.93

CERTAIN INCOME TAX CONSIDERATIONS

United States Federal Income Tax Considerations

The following discussion is a general summary of the material U.S. federal income tax consequences of the ownership and disposition of the common shares by a holder of common shares that is an individual resident of the United States or a United States corporation (a “U.S. Holder”). This discussion does not discuss all aspects of U.S. federal income taxation that may be relevant to investors subject to special treatment under U.S. federal income tax law (including, for example, owners of 10.0% or more of the voting shares of the Company).

Distributions on Common Shares

In general, distributions (without reduction for Canadian withholding taxes) paid by the Company with respect to the common shares will be taxed to a U.S. Holder as dividend income to the extent that such distributions do not exceed the current and accumulated earnings and profits of the Company (as determined for U.S. federal income tax purposes). Subject to certain limitations, under current law dividends paid to non-corporate U.S. Holders may be eligible for a reduced rate of taxation as long as the Company is considered to be a “qualified foreign corporation”. A qualified foreign corporation includes a foreign corporation that is eligible for the benefits of an income tax treaty with the United States. The amount of a distribution that exceeds the earnings and profits of the Company will be treated first as a non-taxable return of capital to the extent of the U.S. Holder’s tax basis in the common shares and thereafter as taxable capital gain. Corporate holders generally will not be allowed a deduction for dividends received in respect of distributions on common shares. Subject to the limitations set forth in the U.S. Internal Revenue Code, as modified by the U.S.-Canada Income Tax Treaty, U.S. Holders may elect to claim a foreign tax credit against their U.S. federal income tax liability for Canadian income tax withheld from dividends. Alternatively, U.S. Holders may claim a deduction for such amounts of Canadian tax withheld.

Disposition of Common Shares

Upon the sale or other disposition of common shares, a U.S. Holder generally will recognize capital gain or loss equal to the difference between the amount realized on the sale and such holder’s tax basis in the common shares. Gain or loss upon the disposition of the common shares will be long-term if, at the time of the disposition, the common shares have been held for more than one year. Long-term capital gains of non-corporate U.S. Holders may be eligible for a reduced rate of taxation. The deduction of capital losses is subject to limitations for U.S. federal income tax purposes.

Canadian Federal Income Tax Considerations

This summary is applicable to a holder or prospective purchaser of common shares who, for the purposes of the Income Tax Act (Canada) and any applicable treaty and at all relevant times, is not (and is not deemed to be) resident in Canada, does not (and is not deemed to) use or hold the common shares in, or in the course of, carrying on a business in Canada, and is not an insurer that carries on an insurance business in Canada and elsewhere.

This summary is based on the current provisions of the Income Tax Act (Canada), the regulations thereunder, all specific proposals to amend such Act and regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof and the Company’s understanding of the administrative policies and assessing practices published in writing by the Canada Revenue Agency prior to the date hereof. This summary does not otherwise take into account any change in law or administrative policy or assessing practice, whether by judicial, governmental, legislative or administrative decision or action, nor does it take into account other federal or provincial, territorial or foreign tax consequences, which may vary from the Canadian federal income tax considerations described herein.

This summary is of a general nature only and it is not intended to be, nor should it be construed to be, legal or tax advice to any holder of the common shares and no representation with respect to Canadian federal income tax consequences to any holder of common shares is made herein. Accordingly, prospective purchasers and holders of the common shares should consult their own tax advisers with respect to their individual circumstances.

Dividends on Common Shares

Canadian withholding tax at a rate of 25.0% (subject to reduction under the provisions of any applicable tax treaty) will be payable on dividends (or amounts paid or credited on account or in lieu of payment of, or in satisfaction of, dividends) paid or credited to a holder of common shares. Under the Canada - U.S. Income Tax Convention (1980), as amended (the “Canada - U.S. Income Tax Treaty”) the withholding tax rate is generally reduced to 15.0% for a holder entitled to the benefits of the Canada - U.S. Income Tax Treaty who is the beneficial owner of the dividends (or 5.0% if the holder is a company that owns at least 10.0% of the common shares).

Capital Gains and Losses

Subject to the provisions of any relevant tax treaty, capital gains realized by a holder on the disposition or deemed disposition of common shares held as capital property will not be subject to Canadian tax unless the common shares are taxable Canadian property (as defined in the *Income Tax Act* (Canada)), in which case the capital gains will be subject to Canadian tax at rates which will approximate those payable by a Canadian resident. Common shares generally will not be taxable Canadian property to a holder provided that, at the time of the disposition or deemed disposition, the common shares are listed on a designated stock exchange (which currently includes the TSX) unless at any time within the 60 month period immediately preceding such time (a) any combination of (i) such holder, (ii) persons with whom such holder did not deal at arm’s length or (iii) a partnership in which such holder or any such persons holds a membership interest either directly or indirectly through one or more partnerships, owned 25.0% or more of the issued shares of any class or series of shares of the Company and (b) more than 50% of the fair market value of the common shares was derived directly or indirectly from one or any combination of (i) real or immovable property situated in Canada, (ii) Canadian resource properties, (iii) timber resource properties, and (iv) options in respect of, or interests in, or for civil law rights in, property described in any of paragraphs (i) to (iii), whether or not the property exists. In certain circumstances set out in the Income Tax Act (Canada), the common shares may be deemed to be taxable Canadian property. Under the Canada-U.S. Income Tax Treaty, a holder entitled to the benefits of the Canada-U.S. Income Tax Treaty and to whom the common shares are taxable Canadian property will not be subject to Canadian tax on the disposition or deemed disposition of the common shares unless at the time of disposition or deemed disposition, the value of the common shares is derived principally from real property situated in Canada.

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Item 6. ***Selected Financial Data***

The selected financial data set forth below is derived from the consolidated financial information of the Company. The financial information has been prepared in accordance with U.S. GAAP. All financial information referred to herein is expressed in U.S. dollars unless otherwise noted.

(In thousands of U.S. dollars, except per share amounts)	Years Ended December 31, 2013	2012(1)	2011(1)	2010(1)	2009(1)
Statements of Operations Data:					
Revenues					
Equipment and product sales	$ 78,663	$ 78,161	$ 85,016	$ 72,578	$ 57,304
Services	139,464	135,071	105,262	121,026	78,874
Rentals	61,293	61,268	34,810	46,936	25,758
Finance income	8,142	7,523	6,162	4,789	4,235
Other(2)	375	732	3,848	400	1,862
	287,937	**282,755**	**235,098**	**245,729**	**168,033**
Costs and expenses applicable to revenues					
Equipment and product sales(3)(4)	37,517	37,538	38,742	36,394	29,040
Services(3)(4)	68,844	70,570	66,972	60,287	46,542
Rentals(4)	16,973	21,402	14,301	11,111	10,093
Other	—	—	1,018	32	635
	123,334	**129,510**	**121,033**	**107,824**	**86,310**
Gross margin	**164,603**	**153,245**	**114,065**	**137,905**	**81,723**
Selling, general and administrative expenses(5)(6)	82,669	81,560	73,157	78,757	56,500
Provision for arbitration award(7)	—	—	2,055	—	—
Research and development	14,771	11,411	7,829	6,249	3,755
Amortization of intangibles	1,618	706	465	513	546
Receivable provisions, net of recoveries	445	524	1,570	1,443	1,067
Asset impairments(8)	—	—	20	—	180
Impairment of available-for-sale investment(9)	—	150	—	—	—
Income from continuing operations	**65,100**	**58,894**	**28,969**	**50,943**	**19,675**
Interest income	55	85	57	399	98
Interest expense	(1,345)	(689)	(1,827)	(1,886)	(13,845)
Loss on repurchase of Senior Notes due December 2010(10)	—	—	—	—	(579)
Income from continuing operations before income taxes	**63,810**	**58,290**	**27,199**	**49,456**	**5,349**
(Provision for) recovery of income taxes(11)	(16,629)	(15,079)	(9,293)	52,574	(274)
Loss from equity-accounted investments	(2,757)	(1,362)	(1,791)	(493)	—
Net income from continuing operations	**44,424**	**41,849**	**16,115**	**101,537**	**5,075**
Net loss from discontinued operations(1)	(309)	(512)	(855)	(297)	(347)
Net income	**$ 44,115**	**$ 41,337**	**$ 15,260**	**$101,240**	**$ 4,728**
Net income per share - basic and diluted:					
Net income per share - basic:					
Net income from continuing operations	$ 0.66	$ 0.64	$ 0.25	$ 1.60	$ 0.10
Net loss from discontinued operations	—	(0.01)	(0.01)	(0.01)	(0.01)
	$ 0.66	**$ 0.63**	**$ 0.24**	**$ 1.59**	**$ 0.09**
Net income per share - diluted:					
Net income from continuing operations	$ 0.64	$ 0.62	$ 0.23	$ 1.52	$ 0.09
Net loss from discontinued operations	—	(0.01)	(0.01)	—	—
	$ 0.64	**$ 0.61**	**$ 0.22**	**$ 1.52**	**$ 0.09**

(1) In January 2014, the Company discontinued the operations of its owned and operated Nyack IMAX theater. The Company has reclassified the Nyack owned and operated theater operations from continuing operations to discontinued operations. As a result, the respective prior years' figures have been reclassified to conform to the current year's presentation. In 2009, the Company closed its owned and operated Vancouver and Tempe IMAX theaters. The net loss from the operation of these three theaters are reflected as discontinued operations. See note 22 of the accompanying audited consolidated financial statements in Item 8 for more information.

(2) The Company enters into theater system arrangements with customers that typically contain customer payment obligations prior to the scheduled installation of the theater systems. Each year, during the period of time between signing and theater system installation, certain customers are unable to, or elect not to, proceed with the theater system installation for a number of reasons, including business considerations, or the inability to obtain certain consents, approvals or financing. Once the determination is made that the customer will not proceed with installation, the customer and/or the Company may terminate the arrangement by default or by entering into a consensual buyout. In these situations the parties are released from their future obligations under the arrangement, and the initial payments that the customer previously made to the Company and recognized as revenue are typically not refunded. In addition, the Company enters into agreements with customers to terminate their obligations for a theater system configuration and enter into a new arrangement for a different configuration. Other revenues from settlement arrangements were $0.4 million, $0.7 million, $3.8 million, $0.4 million, and $1.9 million in 2013, 2012, 2011, 2010 and 2009, respectively.

(3) In 2013, the Company recognized a charge of $0.5 million in costs and expenses applicable to revenues for the write-down of certain service parts and film-based inventories. Included for the periods 2009 through 2013 are the following inventory write-downs:

	2013	2012	2011	2010	2009
Equipment and product sales	$274	$795	$—	$827	$ 48
Services	170	103	—	172	849
	$444	$898	$—	$999	$897

(4) The Company recorded advertising, marketing, and commission costs for the periods 2009 through 2013 as listed below:

	2013	2012	2011	2010	2009
Equipment and product sales	$ 2,522	$ 2,690	$ 2,394	$1,925	$2,041
Services	4,552	4,773	5,648	2,793	2,381
Rentals	3,582	3,382	5,432	4,236	3,405
Advertising, marketing, and commission costs	$10,656	$10,845	$13,474	$8,954	$7,827

(5) Includes share-based compensation expense of $11.9 million, $13.1 million, $11.7 million, $26.0 million and $17.5 million for 2013, 2012, 2011, 2010 and 2009, respectively.

(6) In 2013, the Company amended its Canadian postretirement plan to reduce future benefits provided under the plan. As a result of this amendment, the Company recognized a pre-tax curtailment gain of $2.2 million. See note 21(d) of the accompanying audited consolidated financial statements in Item 8 for more information.

(7) In 2011, the Company recorded a provision of $2.1 million regarding an award issued in connection with an arbitration proceeding brought against the Company, relating to agreements entered into in 1994 and 1995 by its former Ridefilm subsidiary, whose business the Company discontinued through a sale to a third party in March 2001. The award was vacated as the parties entered into a confidential settlement agreement in which the parties agreed to dismiss any outstanding disputes among them.

(8) In 2013, the Company recorded asset impairment charges of $nil. Asset impairment charges related to the impairment of assets of certain theater operations amounted to $nil, less than $0.1 million, less than $0.1 million and $0.2 million in 2012, 2011, 2010 and 2009, respectively, after the Company assessed the carrying value of certain assets.

(9) In 2012, the Company recognized a $0.2 million other-than-temporary impairment of its available-for-sale investment as the value is not expected to recover based on the length of time and extent to which the market value has been less than cost. See note 20(b) of the accompanying audited consolidated financial statements in Item 8 for more information.

(10) In 2009, the Company repurchased all of its outstanding $160.0 million aggregate principal amount of the Company's 9.625% Senior Notes. The Company paid cash to reacquire its bonds, thereby releasing the Company from further obligations to various holders under the indenture governing the Senior Notes. The Company accounted for the bond repurchase in accordance with the Debt Topic of the FASB ASC whereby the net carrying amount of the debt extinguished was the face value of the bonds adjusted for any unamortized premium, discount and costs of issuance, which resulted in a loss of $0.6 million.

(11) The recovery for income taxes in the year ended December 31, 2010 includes a net non-cash income tax benefit of $55.5 million related to a decrease in the valuation allowance for the Company's deferred tax assets and other tax adjustments. This release of the valuation allowance was recorded after it was determined that realization of this deferred income tax benefit is now more likely than not based on current and anticipated future earnings trends.

BALANCE SHEET DATA

(in thousands of U.S. dollars)	**As at December 31,**				
	2013	**2012**	**2011**	**2010**	**2009**
Cash and cash equivalents	$ 29,546	$ 21,336	$ 18,138	$ 30,390	$ 20,081
Total assets(1)	$481,145	$421,872	$407,249	$349,948	$247,546
Total indebtedness	$ —	$ 11,000	$ 55,083	$ 17,500	$ 50,000
Total shareholders' equity	$319,585	$253,079	$189,868	$155,878	$ 42,135

(1) Includes the assets of discontinued operations.

QUARTERLY STATEMENTS OF OPERATIONS SUPPLEMENTARY DATA (UNAUDITED)

(in thousands of U.S. dollars, except per share amounts)	2013			
	Q1(1)	Q2(1)	Q3(1)	Q4
Revenues	$49,666	$81,713	$51,507	$105,051
Costs and expenses applicable to revenues	23,476	38,078	24,055	37,725
Gross margin	$26,190	$43,635	$27,452	$ 67,326
Net income from continuing operations	$ 2,961	$11,855	$ 1,737	$ 27,871
Net loss from discontinued operations	(100)	(39)	(128)	(42)
Net income	$ 2,861	$11,816	$ 1,609	$ 27,829
Net income per share - basic	$ 0.04	$ 0.18	$ 0.03	$ 0.41
Net income per share - diluted	$ 0.04	$ 0.17	$ 0.03	$ 0.40

	2012			
	Q1(1)	Q2(1)	Q3(1)	Q4(1)
Revenues	$55,312	$69,949	$80,079	$ 77,415
Costs and expenses applicable to revenues	28,318	30,939	35,267	34,986
Gross margin	$26,994	$39,010	$44,812	$ 42,429
Net income from continuing operations	$ 2,642	$11,211	$14,973	$ 13,023
Net loss from discontinued operations	(133)	(177)	(62)	(140)
Net income	$ 2,509	$11,034	$14,911	$ 12,883
Net income per share - basic	$ 0.04	$ 0.17	$ 0.23	$ 0.20
Net income per share - diluted	$ 0.04	$ 0.16	$ 0.22	$ 0.19

(1) In January 2014, the Company discontinued the operations of its owned and operated Nyack IMAX theater. The Company reclassified the Nyack owned and operated theater operations from continuing operations to discontinued operations. As a result, the respective prior period’s figures have been reclassified to conform to the current period’s presentation.

Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

GENERAL

IMAX Corporation, together with its wholly-owned subsidiaries (the "Company"), is one of the world's leading entertainment technology companies, specializing in motion picture technologies and presentations. The Company refers to all theaters using the IMAX theater system as "IMAX theaters." IMAX offers a unique end-to-end cinematic solution combining proprietary software, theater architecture and equipment to create the highest-quality, most immersive motion picture experience for which the IMAX® brand has become known globally. Top filmmakers and studios utilize IMAX theaters to connect with audiences in innovative ways, and, as such, IMAX's network is among the most important and successful theatrical distribution platforms for major event films around the world. As of December 31, 2013 there were 837 IMAX theater systems (701 commercial multiplexes, 19 commercial destinations, 117 institutional) operating in 57 countries. This compares to 731 theater systems (598 commercial multiplexes, 19 commercial destinations, 114 institutional) operating in 53 countries as of December 31, 2012.

IMAX theater systems combine:

- IMAX DMR (Digital Re-Mastering) movie conversion technology, which results in higher image and sound fidelity than conventional cinema experiences;
- advanced, high-resolution projectors with specialized equipment and automated theater control systems, which generate significantly more contrast and brightness than conventional theater systems;
- large screens and proprietary theater geometry, which result in a substantially larger field of view so that the screen extends to the edge of a viewer's peripheral vision and creates more realistic images;
- sound system components, which deliver more expansive sound imagery and pinpointed origination of sound to any specific spot in an IMAX theater; and
- specialized theater acoustics, which result in a four-fold reduction in background noise.

The components together cause audiences in IMAX theaters to feel as if they are a part of the on-screen action, creating a more intense, immersive and exciting experience than in a traditional theater.

As a result of the immersiveness and superior image and sound quality of *The* IMAX *Experience*, the Company's exhibitor customers typically charge a premium for IMAX DMR films over films exhibited in their other auditoriums. The premium pricing, combined with the higher attendance levels associated with IMAX DMR films, generates incremental box-office for the Company's exhibitor customers and for the movie studios releasing their films to the IMAX network. The incremental box-office generated by IMAX DMR films has helped establish IMAX as a key premium distribution and marketing platform for Hollywood blockbuster films. Driven by the advent of digital technology that reduced the IMAX DMR conversion time and with the strengthening of the Company's relationships with the major studios, the number of IMAX DMR films released to the theater network per year has increased to 38 films in 2013, up from 35 films in 2012 and 6 films in 2007. The Company expects to release a similar number of IMAX DMR films in 2014 as compared to 2013.

As one of the world's leaders in entertainment technology, the Company strives to remain at the forefront of advancements in cinema technology. Accordingly, one of the Company's key short-term initiatives is the development of a next-generation laser-based digital projection system, which it plans to begin rolling out by the end of 2014. In order to develop the laser-based digital projection system, the Company obtained exclusive rights to certain laser projection technology and other technology with applicability in the digital cinema field from Eastman Kodak Company ("Kodak") in 2011 and entered a co-development arrangement with Barco N.V. ("Barco") to co-develop a laser-based digital projection system that incorporates Kodak technology in 2012. The Company believes that these arrangements with Kodak and Barco will enable IMAX laser projectors to present greater brightness and clarity, a wider color gamut and deeper blacks, and consume less power and last longer than existing digital technology. The Company also believes that a laser projection solution will be the first IMAX digital projection system capable of illuminating the largest screens in its network.

The Company is undertaking new lines of business, particularly in the area of in-home theater entertainment. In 2013, the Company announced two new initiatives in the area of in-home entertainment, including a joint venture with TCL Multimedia Technology Holding Limited ("TCL") to design, develop, manufacture and sell a premium home theater system and an investment in PRIMA Cinema Inc., a maker of proprietary system that transmit current theatrical releases for home viewing. The Company and TCL expect to launch the new home theater system, which will incorporate components of IMAX's projection and sound technology adapted for a broader home environment as well as PRIMA technology, in China and other select global markets in 2015. The Company also recently began marketing and selling the IMAX Private Theatre, a cinema-grade, ultra-premium home theater system.

Important factors that the Company's Chief Executive Officer ("CEO") Richard L. Gelfond uses in assessing the Company's business and prospects include:

- the signing, installation and financial performance of theater system arrangements (particularly its joint revenue sharing arrangements);
- film performance and the securing of new film projects (particularly IMAX DMR films);
- revenue and gross margins from the Company's operating segments;
- operating leverage;
- earnings from operations as adjusted for unusual items that the Company views as non-recurring;
- short- and long-term cash flow projections;
- the continuing ability to invest in and improve the Company's technology to enhance its differentiation of presentation versus other cinematic experiences; and
- the overall execution, reliability and consumer acceptance of The IMAX Experience, related technologies and new initiatives.

The primary revenue sources for the Company can be categorized into two main groups: theater systems and films. On the theater systems side, the Company derives revenues from theater exhibitors primarily through either a sale or sales-type lease arrangement or a joint revenue sharing arrangement. Theater exhibitors also pay for associated maintenance and extended warranty services. The Company also derives a small portion of other revenues from the operation of its own theaters, the provision of aftermarket parts for its system components, and camera rentals. Film revenue is derived primarily from film studios for the provision of film production and digital re-mastering services for exhibition on IMAX theater systems around the world. The Company derives other film revenues from the distribution of certain films and the provision of post-production services.

IMAX Theater Systems: IMAX Systems (Sales and Sales-type Leases), Joint Revenue Sharing Arrangements and Theater System Maintenance

One of the Company's principal businesses is the design, manufacture and delivery of premium theater systems ("IMAX theater systems"). The theater system equipment components (including the projection system, sound system, screen system and, if applicable, 3D glasses cleaning machine), theater design support, supervision of installation, projectionist training and the use of the IMAX brand are all elements of what the Company considers the system deliverable (the "System Deliverable"). The IMAX theater systems are based on proprietary and patented technology developed over the course of the Company's 46-year history. The Company's customers who purchase, lease or otherwise acquire the IMAX theater systems through joint revenue sharing arrangements are theater exhibitors that operate commercial theaters (particularly multiplexes), museums, science centers, or destination entertainment sites. The Company generally does not own IMAX theaters, but licenses the use of its trademarks along with the sale, lease or contribution of the IMAX theater system.

IMAX Systems

The Company provides IMAX theater systems to customers on a sales or long-term lease basis, typically with an initial 10-year term. These agreements typically comprise of initial fees and ongoing fees (which can include a fixed minimum amount per annum and contingent fees in excess of the minimum payments), as well as maintenance and extended warranty fees. The initial fees vary depending on the system configuration and location of the theater and are paid to the Company in installments between the time of system signing and the time of system installation, which is when the total of these fees, in addition to the present value of future annual minimum payments, are recognized as revenue. Ongoing fees are paid over the term of the contract, commencing after the theater system has been installed and are equal to the greater of a fixed minimum amount per annum or a percentage of box-office receipts. Contingent payments in excess of fixed minimum ongoing payments are recognized as revenue when reported by theater operators, provided collectibility is reasonably assured. Typically, ongoing fees are indexed to a local consumer price index. Finance income is derived over the term of a financed sale or sales-type lease arrangement as the unearned income on that financed sale or sales-type lease is earned.

Under a sales agreement, title to the theater system equipment components passes to the customer. In certain instances, however, the Company retains title or a security interest in the equipment until the customer has made all payments required under the agreement. Under the terms of a sales-type lease agreement, title to the theater system equipment components remains with the Company. The Company has the right to remove the equipment for non-payment or other defaults by the customer.

The revenue earned from customers under the Company's theater system sales or lease agreements varies from quarter to quarter and year to year based on a number of factors, including the number and mix of theater system configurations sold or leased, the timing of installation of the theater systems, the nature of the arrangement and other factors specific to individual contracts.

Joint Revenue Sharing Arrangements

The Company also provides IMAX theater systems to customers under joint revenue sharing arrangements. Under these arrangements the Company provides the IMAX theater system in return for a portion of the customer's IMAX box-office receipts and, in some cases, concession revenues and/or a small upfront or initial payment. Pursuant to these revenue-sharing arrangements, the Company retains title to the theater system equipment components and the applicable rent payments, rather than being fixed or determinable, are contingent on film performance. The initial term of IMAX theater systems under joint revenue sharing arrangements are typically non-cancellable for 10 to 13 years and are renewable by the customer for one or more additional terms of between 5 and 10 years. The Company has the right to remove the equipment for non-payment or other defaults by the customer. The contracts are non-cancellable by the customer unless the Company fails to perform its obligations.

The introduction of joint revenue sharing arrangements has been an important factor in the expansion of the Company's commercial theater network, which has grown by approximately 302% since the beginning of 2008. Joint revenue sharing arrangements allow commercial theater exhibitors to install IMAX theater systems without the significant initial capital investment required in a sale or sales-type lease arrangement. Joint revenue sharing arrangements drive recurring cash flows and earnings for the Company, as customers under joint revenue sharing arrangements pay the Company a portion of their ongoing box-office. The Company funds its joint revenue sharing arrangements through cash flows from operations and the Company's credit facility. As at December 31, 2013, the Company had 382 theaters in operation under joint revenue sharing arrangements, a 20.9% increase as compared to the 316 joint revenue sharing arrangements open as at December 31, 2012. The Company also had contracts in backlog for an additional 263 theaters under joint revenue sharing arrangements as at December 31, 2013.

The revenue earned from customers under the Company's joint revenue sharing arrangements can vary from quarter to quarter and year to year based on a number of factors including film performance, the mix of theater system configurations, the timing of installation of these theater systems, the nature of the arrangement, the location, size and management of the theater and other factors specific to individual arrangements. Ongoing revenue from theater systems under joint revenue sharing arrangements is derived from box-office results and concession revenues reported by the theater operator, provided collectibility is reasonably assured.

Theater System Maintenance

For all IMAX theaters, theater owners or operators are also responsible for paying the Company an annual maintenance and extended warranty fee. Under these arrangements, the Company provides proactive and reactive maintenance services to every theater in its network to ensure that each presentation is up to the highest IMAX quality standard. Annual maintenance fees are paid throughout the duration of the term of the theater agreements and are typically indexed to a local consumer price index.

Other Theater Revenues

The Company derives a small portion of its revenues from other sources. As at December 31, 2013 and 2012, the Company had four owned and operated theaters. However, on January 30, 2014, the Company discontinued the operations of one of these owned and operated theaters in Nyack, New York. In addition, the Company has a commercial arrangement with one theater resulting in the sharing of profits and losses and provides management services to two theaters. The Company also rents its proprietary 2D and 3D large-format film and digital cameras to third party production companies. The Company maintains cameras and other film equipment and also offers production advice and technical assistance to both documentary and Hollywood filmmakers. Additionally, the Company generates revenues from the sale of after-market parts and 3D glasses.

Revenue from theater system arrangements is recognized at a different time from when cash is collected. See "Critical Accounting Policies" below for further discussion on the Company's revenue recognition policies.

IMAX Theater Network

The following table outlines the breakdown of the theater network by type and geographic location as at December 31:

	2013 Theater Network Base				2012 Theater Network Base			
	Commercial Multiplex	Commercial Destination	Institutional	Total	Commercial Multiplex	Commercial Destination	Institutional	Total
United States	319	6	55	380	290	6	57	353
Canada	34	2	8	44	34	2	7	43
Greater China(1)	150	—	23	173	108	—	20	128
Asia (excluding Greater China)	61	3	7	71	52	3	7	62
Western Europe	49	7	11	67	42	7	11	60
Russia & the CIS	40	—	—	40	32	—	—	32
Latin America(2)	25	—	11	36	19	—	10	29
Rest of the World	23	1	2	26	21	1	2	24
Total	701	19	117	837	598	19	114	731

(1) Greater China includes China, Hong Kong, Taiwan and Macau.
(2) Latin America includes South America, Central America and Mexico.

As of December 31, 2013, 50.7% of IMAX systems in operation were located in the United States and Canada compared to 54.2% as at the end of last year. The commercial exhibitor market in the United States and Canada represents an important customer base for the Company in terms of both collections under existing arrangements and potential future theater system contracts. The Company has targeted these operators for the sale or sales-type lease of its IMAX digital projection system, as well as for joint revenue sharing arrangements. While the Company is pleased with its progress in the U.S. and Canadian exhibitor markets, there is no assurance that the Company's progress in these markets will continue, particularly as a higher percentage of these markets are penetrated. To minimize the Company's credit risk in this area, the Company retains title to the underlying theater systems leased, performs initial and ongoing credit evaluations of its customers and makes ongoing provisions for its estimates of potentially uncollectible amounts.

The Company believes that over time its commercial multiplex theater network could grow to approximately 1,700 IMAX theaters worldwide from 701 commercial multiplex IMAX theaters operating as of December 31, 2013. While the Company continues to grow in the United States and Canada, it believes that the majority of its future growth will come from international markets. As at December 31, 2013, 49.3% of IMAX theater systems in operation were located within international markets (defined as all countries other than the United States and Canada), up from 45.8% as at December 31, 2012. In fact, 2013 marked the first year in the Company's history that revenues and gross box-office derived from outside the United States and Canada exceeded revenues and gross box-office from the United States and Canada. Risks associated with the Company's international business are described in Risk Factors – "The Company conducts business internationally, which exposes it to uncertainties and risks that could negatively affect its operations, sales and future growth prospects" in Item 1A of the Company's 2013 Form 10-K.

Greater China continues to be the Company's second-largest and fastest-growing market. As at December 31, 2013, the Company had 173 theaters operating in Greater China with an additional 239 theaters (includes 2 upgrades) in backlog, representing 58.7% of the Company's current backlog, that are scheduled to be installed in Greater China by 2021. The Company continues to invest in joint revenue sharing arrangements with select partners to ensure ongoing revenue in this key market. In 2013, the Company and Wanda Cinema Line Corporation ("Wanda") announced amendments of the parties' original 2011 joint revenue sharing arrangement for an additional 120 IMAX theaters to be located throughout China. The most recent expansion brings Wanda's total commitment to 210 IMAX theater systems, of which 195 are under the parties' joint revenue sharing arrangement. The Company believes that the China market presents opportunities for additional growth with favorable market trends, including government initiatives to foster cinema screen growth, to support the film industry and to increase the number of Hollywood films distributed in China, including a 2012 agreement with the U.S. to permit 14 additional IMAX or 3D format films to be distributed in China each year and to permit distributors to receive higher distribution fees. The Company cautions, however, that its expansion in China faces a number of challenges. See Risk Factors – "The Company faces risks in connection with the continued expansion of its business in China" in Item 1A of the Company's 2013 Form 10-K. In 2011, the Company formed IMAX (Shanghai) Multimedia Technology Co., Ltd ("IMAX China") to facilitate the Company's expansion in China. December 31, 2013, IMAX China had offices in Shanghai and Beijing and total of 57 employees.

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The following table outlines the breakdown of the Commercial Multiplex theater network by arrangement type and geographic location as at December 31:

	2013 IMAX Commercial Multiplex Theater Network			2012 IMAX Commercial Multiplex Theater Network		
	JRSA	Sale / Sales-type lease	Total	JRSA	Sale / Sales-type lease	Total
Domestic Total (United States & Canada)	237	116	353	212	112	324
International:						
Greater China	85	65	150	54	54	108
Asia (excluding Greater China)	30	31	61	26	20	46
Western Europe	29	20	49	24	18	42
Russia & the CIS	—	40	40	—	32	32
Latin America	—	25	25	—	19	19
Rest of the World	1	22	23	—	27	27
International Total	145	203	348	104	170	274
Worldwide Total	382	319	701	316	282	598

As at December 31, 2013, 237 (2012 — 212) of the 382 (2012 — 316) theaters under joint revenue sharing arrangements in operation, or 62.0% (2012 — 67.1%) were located in the United States and Canada, with the remaining 145 (2012 — 104) or 38.0% of arrangements being located in international markets. The Company continues to seek to expand its network of theaters under joint revenue sharing arrangements, particularly in select international markets.

Sales Backlog

The Company's current sales backlog is as follows:

	December 31, 2013		December 31, 2012	
	Number of Systems	Dollar Value *(in thousands)*	Number of Systems	Dollar Value *(in thousands)*
Sales and sale-type lease arrangements	144	$ 177,956	139	$ 168,101
Joint revenue sharing arrangements	263	51,983	137	31,652
	407(1)	$ 229,939	276(2)	$ 199,753

(1) Includes 23 upgrades to a digital theater system, in an existing IMAX theater location (3 xenon and 20 laser, of which 4 are under joint revenue sharing arrangements).

(2) Includes 11 upgrades to a digital theater system, in an existing IMAX theater location (6 xenon and 5 laser).

The number of theater systems in the backlog reflects the minimum number of commitments from signed contracts. The dollar value fluctuates depending on the number of new theater system arrangements signed from quarter to quarter, which adds to backlog, and its installation and acceptance of theater systems and the settlement of contracts, both of which reduce backlog. Sales backlog typically represents the fixed contracted revenue under signed theater system sale and lease agreements that the Company believes will be recognized as revenue upon installation and acceptance of the associated theater. Sales backlog includes initial fees along with the estimated present value of contractual ongoing fees due over the lease term; however, it excludes amounts allocated to maintenance and extended warranty revenues as well as fees in excess of contractual ongoing fees that may be received in the future. The value of sales backlog does not include revenue from theaters in which the Company has an equity interest, operating leases, letters of intent or long-term conditional theater commitments. The value of theaters under joint revenue sharing arrangements is excluded from the dollar value of sales backlog, although certain theater systems under joint revenue sharing arrangements provide for contracted upfront payments and therefore carry a backlog value based on those payments. The Company believes that the contractual obligations for theater system installations that are listed in sales backlog are valid and binding commitments.

From time to time, in the normal course of its business, the Company will have customers who are unable to proceed with a theater system installation for a number of reasons, including the inability to obtain certain consents, approvals or financing. Once the determination is made that the customer will not proceed with installation, the agreement with the customer is terminated or amended. If the agreement is terminated, once the Company and the customer are released from all their future obligations under the agreement, all or a portion of the initial rents or fees that the customer previously made to the Company are recognized as revenue.

The following table outlines the breakdown of the total backlog by arrangement type and geographic location as at December 31:

	2013			2012		
	JRSA	Sale / Lease	Total	JRSA	Sale / Lease	Total
Domestic Total (United States & Canada)	33	22	55	39	16	55
International:						
Greater China	200	39	239	80	42	122
Asia (excluding Greater China)	17	22	39	14	19	33
Western Europe	10	3	13	4	1	5
Russia & the CIS	—	19	19	—	23	23
Latin America	—	32	32	—	35	35
Rest of the World	3	7	10	—	3	3
International Total	230	122	352	98	123	221
Worldwide Total	263	144	407(1)	137	139	276(2)

(1) Includes 23 upgrades to a digital theater system, in an existing IMAX theater location (3 xenon and 20 laser, of which 4 are under joint revenue sharing arrangements).
(2) Includes 11 upgrades to a digital theater system, in an existing IMAX theater location (6 xenon and 5 laser).

Approximately 86.5% of IMAX theater system arrangements in backlog as at December 31, 2013 are scheduled to be installed in international markets (2012 – 80.1%).

The following reflects the Company's signings and installations for the years ended December 31:

	Years Ended December 31, 2013	2012
Theater System Signings:		
Full new sales and sale-type lease arrangements	56	43
New joint revenue sharing arrangements	190	78
Total new theaters	246	121
Upgrades of IMAX theater systems	31(1)	21(2)
Total theater signings	277	142

	Years Ended December 31, 2013	2012
Theater System Installations:		
Full new sales and sale-type lease arrangements	47(3)	47
New joint revenue sharing arrangements	65	60
Total new theaters	112(3)	107
Upgrades of IMAX theater systems	21(1)	18
Total theater installations	133	125

(1) Includes upgrades to xenon-based digital systems under short-term operating lease arrangements (10 signings, 10 installations).
(2) Includes 3 IMAX theaters acquired from another existing customer that had been operating under a joint revenue sharing arrangement. These theaters were purchased from the Company under a sales arrangement.
(3) Includes the following items: (i) one new xenon-based digital system under a short-term operating lease arrangement; (ii) one theater system which has increased the Company's institutional theater network; and (iii) one IMAX Private Theater (the first of its kind in the IMAX theater network).

The Company estimates that it will install a similar number of new theater systems (excluding digital upgrades) as the Company installed in 2013. The Company's installation estimates includes scheduled systems from backlog, as well as the Company's estimate of installations from arrangements that will sign and install in the same calendar year. The Company cautions, however, that theater system installations may slip from period to period over the course of the Company's business, usually for reasons beyond its control.

Films: Digital Re-Mastering (IMAX DMR) and other film revenue

Digital Re-Mastering (IMAX DMR)

In 2002, the Company developed a proprietary technology to digitally re-master Hollywood films into IMAX digital cinema package format or 15/70-format film for exhibition in IMAX theaters at a modest cost that is incurred by the Company. This system, known as IMAX DMR, digitally enhances the image resolution of motion picture films for projection on IMAX screens while maintaining or enhancing the visual clarity and sound quality to levels for which The IMAX Experience is known. This technology enabled the IMAX theater network to release Hollywood films simultaneously with their broader domestic release. The development of this technology was critical in helping the Company execute its strategy of expanding its commercial theater network by establishing IMAX theaters as a key, premium distribution platform for Hollywood films. In a typical IMAX DMR film arrangement, the Company receives a percentage of net box-office receipts of any commercial films released in the IMAX network, which range from 10-15%, from a film studio for the conversion of the film to the IMAX DMR format and access to its premium distribution platform.

IMAX films benefit from enhancements made by individual filmmakers exclusively for the IMAX release, and filmmakers and studios have increasingly sought IMAX-specific enhancements to generate interest in and excitement for their films. Such enhancements include shooting selected scenes with IMAX cameras to increase the audience's immersion in the film and taking advantage of the unique dimensions of the IMAX screen by shooting the film in a larger aspect ratio and early release windows exclusively in IMAX. Several recent films have featured select sequences shot with IMAX cameras including *Star Trek Into Darkness: An* IMAX *3D Experience*, released in May 2013 and *The Hunger Games: Catching Fire: The* IMAX *Experience* in November 2013, as well as, *The Dark Knight Rises: The* IMAX *Experience* in July 2012, which featured over an hour of footage shot with IMAX cameras. In addition, several recent movies, including *Oblivion: The* IMAX *Experience* in 2013 and *Skyfall: The* IMAX *Experience* in 2012 have featured footage taking advantage of the larger projected IMAX aspect ratio.

The original soundtrack of a film to be released to the IMAX network is re-mastered for the IMAX five or six-channel digital sound systems for the IMAX DMR release. Unlike the soundtracks played in conventional theaters, IMAX re-mastered soundtracks are uncompressed and full fidelity. IMAX sound systems use proprietary loudspeaker systems and proprietary surround sound configurations that ensure every theater seat is in a good listening position.

The Company believes that its international expansion is an important driver of future growth for the Company. In fact, during 2013, 54.0% of the Company’s gross box-office from IMAX DMR films was generated in international markets, as compared to 49.3% in 2012. To support growth in international markets, the Company has sought to bolster its international film strategy, supplementing the Company’s film slate of Hollywood DMR titles with appealing local IMAX DMR releases in select markets. During 2013, the Company released nine local language IMAX DMR films, including five in China and one in each of Japan, Russia, France, and India. In 2012, five local-language IMAX DMR films were released, including four in China and one in France. The Company expects to announce additional local language IMAX DMR films to be released to the IMAX network in 2014 and beyond.

To date, the Company has announced the following 14 DMR films to be released in 2014 to the IMAX theater network:

- *Jack Ryan: Shadow Recruit: The* IMAX *Experience* (Paramount Pictures, January 2014);
- *I, Frankenstein: An* IMAX *3D Experience* (Lionsgate, January 2014);
- *The Monkey King: The* IMAX *Experience* (Global Star Productions, January 2014, China only);
- *Robocop: The* IMAX *Experience* (Metro-Goldwyn-Mayer Studios, Inc., February 2014);
- *300: Rise of an Empire: An* IMAX *3D Experience* (Warner Bros. Pictures, March 2014);
- *Divergent: The* IMAX *Experience* (Summit Entertainment, March 2014);
- *Noah: The* IMAX *Experience* (Paramount Pictures, March 2014);
- *Captain America: The Winter Soldier: An* IMAX *3D Experience* (Marvel Entertainment, April 2014);
- *The Amazing Spider-Man 2: An* IMAX *3D Experience* (Sony Pictures, May 2014);
- *Godzilla: The* IMAX *Experience* (Warner Bros. Pictures, May 2014);
- *Edge of Tomorrow: The* IMAX *Experience* (Warner Bros. Pictures, June 2014);
- *Transformers: Age of Extinction: An* IMAX 3D Experience (Paramount Pictures, June 2014);
- *Interstellar: The IMAX Experience* (Paramount Pictures and Warner Bros. Pictures, November 2014); and
- *The Hobbit: There and Back Again: An* IMAX *3D Experience* (Warner Bros. Pictures, December 2014).

The Company remains in active negotiations with all of the major Hollywood studios for additional films to fill out its short and long-term film slate, and anticipates that a similar number of IMAX DMR films will be released to the IMAX network in 2014 as were released in 2013.

In addition, in conjunction with Warner Bros. Pictures, the Company will release an IMAX original production, *Island of Lemurs: Madagascar*, on April 4, 2014.

Other Film Revenues: Film Distribution and Post-Production

The Company is also a distributor of large-format films, primarily for its institutional theater partners. The Company generally distributes films which it produces or for which it has acquired distribution rights from independent producers. The Company receives either a percentage of the theater box-office receipts or a fixed amount as a distribution fee.

Films produced by the Company are typically financed through third parties, whereby the Company will generally receive a film production fee in exchange for producing the film and a distribution fee for distributing the film. The ownership rights to such films may be held by the film sponsors, the film investors and/or the Company. The Company utilizes third-party funding for the majority of original films it produces and distributes. In 2012, the Company, along with WB and MFF released an original title, *To the Artic 3D*. In 2011, the Company, along with WB, released *Born to be Wild 3D*. In

January 2013, the Company announced an agreement with MFF to jointly finance, market and distribute up to four films (with an option for four additional films) produced by MFF to be released exclusively to IMAX theaters. The agreement will ensure IMAX's institutional theater partners access to a steady flow of the highest-quality, large-format documentaries over the years to come. One of the four films produced under the MFF agreement, *Journey to the South Pacific* had a limited release in November 2013. A broader release of *Journey to the South Pacific* is scheduled in 2014.

IMAX Post/DKP Inc. (formerly David Keighley Productions 70MM Inc.), a wholly-owned subsidiary of the Company, provides film post-production and quality control services for large-format films (whether produced internally or externally), and digital post-production services.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company prepares its consolidated financial statements in accordance with United States Generally Accepted Accounting Principles ("U.S. GAAP").

The preparation of these consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. On an ongoing basis, management evaluates its estimates, including those related to selling prices associated with the individual elements in multiple element arrangements; residual values of leased theater systems; economic lives of leased assets; allowances for potential uncollectibility of accounts receivable, financing receivables and net investment in leases; write-downs for inventory obsolescence; ultimate revenues for film assets; impairment provisions for film assets, long-lived assets and goodwill; depreciable lives of property, plant and equipment; useful lives of intangible assets; pension plan and post retirement assumptions; accruals for contingencies including tax contingencies; valuation allowances for deferred income tax assets; and, estimates of the fair value and expected exercise dates of stock-based payment awards. Management bases its estimates on historical experience, future expectations and other assumptions that are believed to be reasonable at the date of the consolidated financial statements. Actual results may differ from these estimates due to uncertainty involved in measuring, at a specific point in time, events which are continuous in nature, and differences may be material. The Company's significant accounting policies are discussed in note 2 to its audited consolidated financial statements in Item 8 of the Company's 2013 Form 10-K.

The Company considers the following significant estimates, assumptions and judgments to have the most significant effect on its results:

Revenue Recognition

The Company generates revenue from various sources as follows:

- design, manufacture, sale and lease of proprietary theater systems for IMAX theaters principally owned and operated by commercial and institutional customers located in 57 countries as at December 31, 2013;
- production, digital re-mastering, post-production and/or distribution of certain films shown throughout the IMAX theater network;
- operation of certain IMAX theaters primarily in the United States;
- provision of other services to the IMAX theater network, including ongoing maintenance and extended warranty services for IMAX theater systems; and
- other activities, which includes short-term rental of cameras and aftermarket sales of projector system components.

Multiple Element Arrangements

The Company's revenue arrangements with certain customers may involve multiple elements consisting of a theater system (projector, sound system, screen system and, if applicable, 3D glasses cleaning machine); services associated with the theater system including theater design support, supervision of installation, and projectionist training; a license to use of the IMAX brand; 3D glasses; maintenance and extended warranty services; and licensing of films. The Company evaluates all elements in an arrangement to determine what are considered typical deliverables for accounting purposes and which of the deliverables represent separate units of accounting based on the applicable accounting guidance in the Leases Topic of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC" or "Codification"); the Guarantees Topic of the FASB ASC; the Entertainment – Films

Topic of the FASB ASC; and the Revenue Recognition Topic of the FASB ASC. If separate units of accounting are either required under the relevant accounting standards or determined to be applicable under the Revenue Recognition Topic, the total consideration received or receivable in the arrangement is allocated based on the applicable guidance in the above noted standards.

Theater Systems

The Company has identified the projection system, sound system, screen system and, if applicable, 3D glasses cleaning machine, theater design support, supervision of installation, projectionist training and the use of the IMAX brand to be a single deliverable and a single unit of accounting ("the System Deliverable"). When an arrangement does not include all the elements of a System Deliverable, the elements of the System Deliverable included in the arrangement are considered by the Company to be a single deliverable and a single unit of accounting. The Company is not responsible for the physical installation of the equipment in the customer's facility; however, the Company supervises the installation by the customer. The customer has the right to use the IMAX brand from the date the Company and the customer enter into an arrangement.

The Company's System Deliverable arrangements involve either a lease or a sale of the theater system. Consideration in the Company's arrangements that are not joint revenue sharing arrangements, consists of upfront or initial payments made before and after the final installation of the theater system equipment and ongoing payments throughout the term of the lease or over a period of time, as specified in the arrangement. The ongoing payments are the greater of an annual fixed minimum amount or a certain percentage of the theater box-office. Amounts received in excess of the annual fixed minimum amounts are considered contingent payments. The Company's arrangements are non-cancellable, unless the Company fails to perform its obligations. In the absence of a material default by the Company, there is no right to any remedy for the customer under the Company's arrangements. If a material default by the Company exists, the customer has the right to terminate the arrangement and seek a refund only if the customer provides notice to the Company of a material default and only if the Company does not cure the default within a specified period.

For arrangements entered into or materially modified after January 1, 2011, consideration is allocated to each unit of accounting based on the unit's relative selling prices. The Company uses vender-specific objective evidence of selling price (VSOE) when the Company sells the deliverable separately and is the price actually charged by the Company for that deliverable. VSOE is established for the Company's System Deliverable, maintenance and extended warranty services and film license arrangements. The Company uses a best estimate of selling price (BESP) for units of accounting that do not have VSOE or third party evidence of selling price. The Company determines BESP for a deliverable by considering multiple factors including the Company's historical pricing practices, product class, market competition and geography.

Sales Arrangements

For arrangements qualifying as sales, the revenue allocated to the System Deliverable is recognized in accordance with the Revenue Recognition Topic of the FASB ASC, when all of the following conditions have been met: (i) the projector, sound system and screen system have been installed and are in full working condition, (ii) the 3D glasses cleaning machine, if applicable, has been delivered, (iii) projectionist training has been completed, and (iv) the earlier of (a) receipt of written customer acceptance certifying the completion of installation and run-in testing of the equipment and the completion of projectionist training or (b) public opening of the theater, provided there is persuasive evidence of an arrangement, the price is fixed or determinable and collectibility is reasonably assured.

The initial revenue recognized consists of the initial payments received and the present value of any future initial payments and fixed minimum ongoing payments that have been attributed to this unit of accounting. Contingent payments in excess of the fixed minimum ongoing payments are recognized when reported by theater operators, provided collectibility is reasonably assured.

The Company has also agreed, on occasion, to sell equipment under lease or at the end of a lease term. Consideration agreed to for these lease buyouts is included in revenues from equipment and product sales, when persuasive evidence of an arrangement exists, the fees are fixed or determinable, collectibility is reasonably assured and title to the theater system passes from the Company to the customer.

Lease Arrangements

The Company uses the Leases Topic of the FASB ASC to evaluate whether an arrangement is a lease and the classification of the lease. Arrangements not within the scope of the accounting standard are accounted for either as a sales or services arrangement, as applicable.

For lease arrangements, the Company determines the classification of the lease in accordance with the Leases Topic of the FASB ASC. A lease arrangement that transfers substantially all of the benefits and risks incident to ownership of the equipment is classified as a sales-type lease based on the criteria established in the accounting standard; otherwise the lease is classified as an operating lease. Prior to commencement of the lease term for the equipment, the Company may modify certain payment terms or make concessions. If these circumstances occur, the Company reassesses the classification of the lease based on the modified terms and conditions.

For sales-type leases, the revenue allocated to the System Deliverable is recognized when the lease term commences, which the Company deems to be when all of the following conditions have been met: (i) the projector, sound system and screen system have been installed and are in full working condition, (ii) the 3D glasses cleaning machine, if applicable, has been delivered, (iii) projectionist training has been completed, and (iv) the earlier of (a) receipt of the written customer acceptance certifying the completion of installation and run-in testing of the equipment and the completion of projectionist training or (b) public opening of the theater, provided collectibility is reasonably assured.

The initial revenue recognized for sales-type leases consists of the initial payments received and the present value of future initial payments and fixed minimum ongoing payments computed at the interest rate implicit in the lease. Contingent payments in excess of the fixed minimum payments are recognized when reported by theater operators, provided collectibility is reasonably assured.

For operating leases, initial payments and fixed minimum ongoing payments are recognized as revenue on a straight-line basis over the lease term. For operating leases, the lease term is considered to commence when all of the following conditions have been met: (i) the projector, sound system and screen system have been installed and are in full working condition, (ii) the 3D glasses cleaning machine, if applicable, has been delivered, (iii) projectionist training has been completed, and (iv) the earlier of (a) receipt of the written customer acceptance certifying the completion of installation and run-in testing of the equipment and the completion of projectionist training or (b) public opening of the theater. Contingent payments in excess of fixed minimum ongoing payments are recognized as revenue when reported by theater operators, provided collectibility is reasonably assured.

Revenues from joint revenue sharing arrangements with upfront payments that qualify for classification as sales and sales-type leases are recognized in accordance with the sales and sales-type lease criteria discussed above. Contingent revenues from joint revenue sharing arrangements are recognized as box-office results and concessions revenues are reported by the theater operator, provided collectibility is reasonably assured.

Equipment and components allocated to be used in future joint revenue sharing arrangements, as well as direct labor costs and an allocation of direct production costs, are included in assets under construction until such equipment is installed and in working condition, at which time the equipment is depreciated on a straight-line basis over the lesser of the term of the joint revenue sharing arrangement and the equipment’s anticipated useful life.

Finance Income

Finance income is recognized over the term of the lease or over the period of time specified in the sales arrangement, provided collectibility is reasonably assured. Finance income recognition ceases when the Company determines that the associated receivable is not collectible.

Finance income is suspended when the Company identifies a theater that is delinquent, non-responsive or not negotiating in good faith with the Company. Once the collectibility issues are resolved the Company will resume recognition of finance income.

Terminations, Consensual Buyouts and Concessions

The Company enters into theater system arrangements with customers that provide for customer payment obligations prior to the scheduled installation of the theater system. During the period of time between signing and the installation of the theater system, which may extend several years, certain customers may be unable to, or elect not to, proceed with the theater system installation for a number of reasons including business considerations, or the inability to obtain certain consents, approvals or financing. Once the determination is made that the customer will not proceed with installation, the arrangement may be terminated under the default provisions of the arrangement or by mutual agreement between the Company and the customer (a “consensual buyout”). Terminations by default are situations when a customer does not meet the payment obligations under an arrangement and the Company retains the amounts paid by the customer. Under a consensual buyout, the Company and the customer agree, in writing, to a settlement and to release each other of any further obligations under the arrangement or an arbitrated settlement is reached. Any initial payments retained or additional payments received by the Company are recognized as revenue when the settlement arrangements are executed and the cash is received, respectively. These termination and consensual buyout amounts are recognized in Other revenues.

In addition, the Company could agree with customers to convert their obligations for other theater system configurations that have not yet been installed to arrangements to acquire or lease the IMAX digital theater system. The Company considers these situations to be a termination of the previous arrangement and origination of a new arrangement for the IMAX digital theater system. For all arrangements entered into or modified prior to the date of adoption of the amended FASB ASC 605-25, the Company continues to defer an amount of any initial fees received from the customer such that the aggregate of the fees deferred and the net present value of the future fixed initial and ongoing payments to be received from the customer equals the selling price of the IMAX digital theater system to be leased or acquired by the customer. Any residual portion of the initial fees received from the customer for the terminated theater system is recorded in Other revenues at the time when the obligation for the original theater system is terminated and the new theater system arrangement is signed. Under the amended FASB ASC 605-25, as described in note 2(m) to the accompanying notes to the audited consolidated financial statements, for all arrangements entered into or materially modified after the date of adoption, the total arrangement consideration to be received is allocated on a relative selling price basis to the digital upgrade and the termination of the previous theater system. The arrangement consideration allocated to the termination of the existing arrangement is recorded in Other revenues at the time when the obligation for the original theater system is terminated and the new theater system arrangement is signed.

The Company may offer certain incentives to customers to complete theater system transactions including payment concessions or free services and products such as film licenses or 3D glasses. Reductions in, and deferral of, payments are taken into account in determining the sales price either by a direct reduction in the sales price or a reduction of payments to be discounted in accordance with the Leases or Interests Topic of the FASB ASC. Free products and services are accounted for as separate units of accounting. Other consideration given by the Company to customers are accounted for in accordance with the Revenue Recognition Topic of the FASB ASC.

Maintenance and Extended Warranty Services

Maintenance and extended warranty services may be provided under a multiple element arrangement or as a separately priced contract. Revenues related to these services are deferred and recognized on a straight-line basis over the contract period and are recognized in Services revenues. Maintenance and extended warranty services includes maintenance of the customer’s equipment and replacement parts. Under certain maintenance arrangements, maintenance services may include additional training services to the customer’s technicians. All costs associated with this maintenance and extended warranty program are expensed as incurred. A loss on maintenance and extended warranty services is recognized if the expected cost of providing the services under the contracts exceeds the related deferred revenue.

Other

The Company recognizes revenue in Services revenue from its owned and operated theaters resulting from box-office ticket and concession sales as tickets are sold, films are shown and upon the sale of various concessions. The sales are cash or credit card transactions with theatergoers based on fixed prices per seat or per concession item.

In addition, the Company enters into commercial arrangements with third party theater owners resulting in the sharing of profits and losses which are recognized in Service revenues when reported by such theaters. The Company also provides management services to certain theaters and recognizes revenue over the term of such services.

Revenues on camera rentals are recognized in Rental revenue over the rental period.

Revenue from the sale of 3D glasses is recognized in Equipment and product sales revenue when the 3D glasses have been delivered to the customer.

Other service revenues are recognized in Service revenues when the performance of contracted services is complete.

Film Production and IMAX DMR Services

In certain film arrangements, the Company produces a film financed by third parties, whereby the third party retains the copyright and the Company obtains exclusive distribution rights. Under these arrangements, the Company is entitled to receive a fixed fee or to retain as a fee the excess of funding over cost of production (the “production fee”). The third parties receive a portion of the revenues received by the Company from distributing the film, which is charged to costs and expenses applicable to revenues-services. The production fees are deferred, and recognized as a reduction in the cost of the film, based on the ratio of the Company’s distribution revenues recognized in the current period to the ultimate distribution revenues expected from the film.

Revenue from film production services where the Company does not hold the associated distribution rights are recognized in Service revenues when performance of the contractual service is complete, provided there is persuasive evidence of an agreement, the fee is fixed or determinable and collectibility is reasonably assured.

Revenues from digitally re-mastering (IMAX DMR) films where third parties own or hold the copyrights and the rights to distribute the film are derived in the form of processing fees and recoupments calculated as a percentage of box-office receipts generated from the re-mastered films. Processing fees are recognized as Service revenues when the performance of the related re-mastering service is completed, provided there is persuasive evidence of an arrangement, the fee is fixed or determinable and collectibility is reasonably assured. Recoupments, calculated as a percentage of box-office receipts, are recognized as Services revenues when box-office receipts are reported by the third party that owns or holds the related film rights, provided collectibility is reasonably assured.

Losses on film production and IMAX DMR services are recognized as costs and expenses applicable to revenues-services in the period when it is determined that the Company's estimate of total revenues to be realized by the Company will not exceed estimated total production costs to be expended on the film production and the cost of IMAX DMR services.

Film Distribution

Revenue from the licensing of films is recognized in Services revenues when persuasive evidence of a licensing arrangement exists, the film has been completed and delivered, the license period has begun, the fee is fixed or determinable and collectibility is reasonably assured. When license fees are based on a percentage of box-office receipts, revenue is recognized when box-office receipts are reported by exhibitors, provided collectibility is reasonably assured.

Film Post-Production Services

Revenues from post-production film services are recognized in Services revenue when performance of the contracted services is complete provided there is persuasive evidence of an arrangement, the fee is fixed or determinable and collectibility is reasonably assured.

Allowances for Accounts Receivable and Financing Receivables

Allowances for doubtful accounts receivable are based on the Company's assessment of the collectibility of specific customer balances, which is based upon a review of the customer's credit worthiness, past collection history and the underlying asset value of the equipment, where applicable. Interest on overdue accounts receivable is recognized as income as the amounts are collected.

The Company monitors the performance of the theaters to which it has leased or sold theater systems which are subject to ongoing payments. When facts and circumstances indicate that there is a potential impairment in the accounts receivable, net investment in lease or a financing receivable, the Company will evaluate the potential outcome of either renegotiations involving changes in the terms of the receivable or defaults on the existing lease or financed sale agreements. The Company will record a provision if it is considered probable that the Company will be unable to collect all amounts due under the contractual terms of the arrangement or a renegotiated lease amount will cause a reclassification of the sales-type lease to an operating lease.

When the net investment in lease or the financing receivable is impaired, the Company will recognize a provision for the difference between the carrying value in the investment and the present value of expected future cash flows discounted using the effective interest rate for the net investment in the lease or the financing receivable. If the Company expects to recover the theater system, the provision is equal to the excess of the carrying value of the investment over the fair value of the equipment.

When the minimum lease payments are renegotiated and the lease continues to be classified as a sales-type lease, the reduction in payments is applied to reduce unearned finance income.

These provisions are adjusted when there is a significant change in the amount or timing of the expected future cash flows or when actual cash flows differ from cash flow previously expected.

Once a net investment in lease or financing receivable is considered impaired, the Company does not recognize interest income until the collectibility issues are resolved. When finance income is not recognized, any payments received are applied against outstanding gross minimum lease amounts receivable or gross receivables from financed sales.

Inventories

Inventories are carried at the lower of cost, determined on an average cost basis, and net realizable value except for raw materials, which are carried out at the lower of cost and replacement cost. Finished goods and work-in-process include the cost of raw materials, direct labor, theater design costs, and an applicable share of manufacturing overhead costs.

The costs related to theater systems under sales and sales-type lease arrangements are relieved from inventory to costs and expenses applicable to revenues-equipment and product sales when revenue recognition criteria are met. The costs related to theater systems under operating lease arrangements and joint revenue sharing arrangements are transferred from inventory to assets under construction in property, plant and equipment when allocated to a signed joint revenue sharing arrangement or when the arrangement is first classified as an operating lease.

The Company records write-downs for excess and obsolete inventory based upon current estimates of future events and conditions, including the anticipated installation dates for the current backlog of theater system contracts, technological developments, signings in negotiation, growth prospects within the customers' ultimate marketplace and anticipated market acceptance of the Company's current and pending theater systems.

Finished goods inventories can contain theater systems for which title has passed to the Company's customer, under the contract, but the revenue recognition criteria as discussed above have not been met.

Asset Impairments

The Company performs a qualitative, and when necessary quantitative, impairment test on its goodwill on an annual basis, coincident with the year-end, as well as in quarters where events or changes in circumstances suggest that the carrying amount may not be recoverable.

Goodwill impairment is assessed at the reporting unit level by comparing the unit's carrying value, including goodwill, to the fair value of the unit. The Company completed a full quantitative analysis as required by ASC 350 – "Intangibles – Goodwill and Other" (Step 1) in 2010. The carrying values of each unit are subject to allocations of certain assets and liabilities that the Company has applied in a systematic and rational manner. The fair value of the Company's units is assessed using a discounted cash flow model. The model is constructed using the Company's budget and long-range plan as a base. The Company performs a qualitative assessment of its reporting units and certain select quantitative calculations against its current long range plan to determine whether it is more likely than not (that is, a likelihood of more than 50 percent) that the fair value of a reporting unit is less than its carrying amount (Step 0). As at December 31, 2013, the fair values of the Company's reporting units substantially exceeded their carrying values and no qualitative factors existed during the year to indicate that it is more likely than not that the fair value of any of its reporting units are less than its respective carrying amount. Significant estimates and judgment are involved in the impairment test.

Long-lived asset impairment testing is performed at the lowest level of an asset group at which identifiable cash flows are largely independent. In performing its review for recoverability, the Company estimates the future cash flows expected to result from the use of the asset or asset group and its eventual disposition. If the sum of the expected future cash flows is less than the carrying amount of the asset or asset group, an impairment loss is recognized in the consolidated statement of operations. Measurement of the impairment loss is based on the excess of the carrying amount of the asset or asset group over the fair value calculated using discounted expected future cash flows.

The Company's estimates of future cash flows involve anticipating future revenue streams, which contain many assumptions that are subject to variability, as well as estimates for future cash outlays, the amounts of which, and the timing of which are both uncertain. Actual results that differ from the Company's budget and long-range plan could result in a significantly different result to an impairment test, which could impact earnings.

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. In 2013, the Company determined that the functional currency of one of its wholly-owned subsidiaries had changed from the Company's reporting currency to the currency of the nation in which it domiciled. The adjustment attributable to current-rate translation of non-monetary assets as of the date of the change was reported in other comprehensive income ("OCI"). The functional currency of its other wholly-owned subsidiaries continues to be the United States dollar. Such exchange gains and losses are included in the determination of earnings in the period in which they arise.

Foreign currency derivatives are recognized and measured in the balance sheet at fair value. Changes in the fair value (gains or losses) are recognized in the consolidated statement of operations except for derivatives designated and qualifying as foreign currency hedging instruments. For foreign currency hedging instruments, the effective portion of the gain or loss in a hedge of a forecasted transaction is reported in OCI and reclassified to the consolidated statement of operations when the forecasted transaction occurs. Any ineffective portion is recognized immediately in the consolidated statement of operations.

Pension Plan and Postretirement Benefit Obligations Assumptions

The Company's pension plan and postretirement benefit obligations and related costs are calculated using actuarial concepts, within the framework of the Compensation – Retirement Benefits Topic of the FASB ASC. A critical assumption to this accounting is the discount rate. The Company evaluates this critical assumption annually or when otherwise required to by accounting standards. Other assumptions include factors such as expected retirement date, mortality rate, rate of compensation increase, and estimates of inflation.

The discount rate enables the Company to state expected future cash payments for benefits as a present value on the measurement date. The guideline for setting this rate is a high-quality long-term corporate bond rate. A lower discount rate increases the present value of benefit obligations and increases pension expense. The Company's discount rate was determined by considering the average of pension yield curves constructed from a large population of high-quality corporate bonds. The resulting discount rate reflects the matching of plan liability cash flows to the yield curves.

The discount rate used is a key assumption in the determination of the pension benefit obligation and expense. A 1.0% change in the discount rate used could result in a $2.3 million — $2.8 million increase or decrease in the pension benefit obligation with a corresponding benefit or charge recognized in other comprehensive income in the year.

Deferred Tax Asset Valuation

As at December 31, 2013, the Company had net deferred income tax assets of $24.3 million. The Company's management assesses realization of its deferred tax assets based on all available evidence in order to conclude whether it is more likely than not that the deferred tax assets will be realized. Available evidence considered by the Company includes, but is not limited to, the Company's historical operating results, projected future operating results, reversing temporary differences, contracted sales backlog at December 31, 2013, changing business circumstances, and the ability to realize certain deferred tax assets through loss and tax credit carry-back and carry-forward strategies.

When there is a change in circumstances that causes a change in judgment about the realizability of the deferred tax assets, the Company would adjust the applicable valuation allowance in the period when such change occurs.

Tax Exposures

The Company is subject to ongoing tax exposures, examinations and assessments in various jurisdictions. Accordingly, the Company may incur additional tax expense based upon the outcomes of such matters. In addition, when applicable, the Company adjusts tax expense to reflect the Company's ongoing assessments of such matters which require judgment and can materially increase or decrease its effective rate as well as impact operating results. The Company provides for such exposures in accordance with Income Taxes Topic of the FASB ASC.

Stock-Based Compensation

The Company's stock-based compensation generally includes stock options, restricted share units ("RSUs") and stock appreciation rights ("SARs").

The Company estimates the fair value of stock option and SAR awards on the date of grant using fair value measurement techniques. The fair value of RSU awards is equal to the closing price of the Company's common stock on the date of grant.

The Company utilizes a lattice-binomial option-pricing model (the "Binomial Model") to determine the fair value of stock option and SAR awards. The fair value determined by the Binomial Model is affected by the Company's stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to, the Company's expected stock price volatility over the term of the awards, and actual and projected employee stock option exercise behaviors. The Binomial Model also considers the expected exercise multiple which is the multiple of exercise price to grant price at which exercises are expected to occur on average. Option-pricing models were developed for use in estimating the value of traded options that have no vesting or hedging restrictions and are fully transferable. Because the Company's employee stock options and SARs have certain characteristics that are significantly different from traded options, and because changes in the subjective assumptions can materially affect the estimated value, in management's opinion, the Binomial Model best provides an accurate measure of the fair value of the Company's employee stock options and SARs. Although the fair value of employee stock options and SARs are determined in accordance with the Equity topic of the FASB ASC using an option-pricing model, that value may not be indicative of the fair value observed in a willing buyer/willing seller market transaction.

Impact of Recently Issued Accounting Pronouncements

See note 3 to the audited consolidated financial statements in Item 8 of the Company's 2013 Form 10-K for information regarding the Company's recent changes in accounting policies and the impact of recently issued accounting pronouncements impacting the Company.

DISCONTINUED OPERATIONS

On January 30, 2014, the Company's lease with respect to its owned and operated Nyack IMAX theater ended and the Company has decided not to renew the lease. In 2013, revenues for the Nyack IMAX theater were $1.3 million (2012 — $1.5 million, 2011 — $1.5 million) and the Company recognized a loss of $0.3 million, net of a tax recovery of $0.2 million, in 2013 (2012 — loss of $0.5 million, 2011 — loss of $0.9 million) from the operation of the theater. The transactions of the Company's owned and operated Nyack theater are reflected as discontinued operations. The remaining assets and liabilities of the Nyack owned and operated theater are included in the Company's consolidated balance sheet as at December 31, 2013 and are disclosed in note 22 to the audited consolidated financial statements in Item 8 of the Company's 2013 Form 10-K.

ASSET IMPAIRMENTS AND OTHER CHARGES (RECOVERIES)

The following table identifies the Company's charges (recoveries) relating to the impairment of assets:

	Years Ended December 31,		
(in thousands of U.S. dollars)	**2013**	**2012**	**2011**
Asset impairments			
Property, plant and equipment	$ —	$ —	$ 20
Other charges (recoveries):			
Accounts receivable	(35)	606	333
Financing receivables	480	(82)	1,237
Inventories	444	898	—
Impairment of available-for-sale investment	—	150	—
Property, plant and equipment	384	18	356
Other intangible assets	63	11	—
Other assets	—	6	—
Total asset impairments and other charges	$1,336	$1,607	$1,946

Asset Impairments

The Company records asset impairment charges for property, plant and equipment after an assessment of the carrying value of certain asset groups in light of their future expected cash flows. No such charges were recognized in 2013 and 2012. During 2011, the Company recorded total asset impairment charges of less than $0.1 million as the Company recognized that the carrying values for the assets exceeded the expected undiscounted future cash flows.

Other Charges (Recoveries)

The Company recorded a $0.5 million provision (2012 — $0.9 million; 2011 — $nil) in costs and expenses applicable to revenues due to a reduction in the net realizable value of its inventories. These charges primarily resulted from a reduction in the net realizable value of its film-based projector inventories and certain service part inventories due to a further market shift away from film-based projector systems.

The Company recorded a net recovery of less than $0.1 million in 2013 (2012 — $0.6 million provision; 2011 — $0.3 million provision) in accounts receivable based on the Company's ongoing assessment of the collectability of specific customer balances.

In 2013, the Company also recorded a net provision of $0.5 million in financing receivables (2012 — $0.1 million recovery; 2011 — $1.2 million provision). Provisions of the Company's financing receivables is recorded when the collectibility associated with certain financing receivables is uncertain. These provisions are adjusted when there is a significant change in the amount or timing of the expected future cash flows or when actual cash flows differ from cash flows previously expected.

In 2012, the Company recognized a $0.2 million other-than-temporary impairment of its available-for-sale investment as the value is not expected to recover based on the length of time and extent to which the market value has been less than cost. After assessment, no such impairment was required in 2013.

In 2013, the Company recorded a charge of $0.4 million (2012 — less than $0.1 million; 2011 — $0.4 million) reflecting assets that no longer meet capitalization requirements as the assets were no longer in use.

NON-GAAP FINANCIAL MEASURES

In this report, the Company presents adjusted net income and adjusted net income per diluted share as supplemental measures of performance of the Company, which are not recognized under U.S. GAAP. The Company presents adjusted net income and adjusted net income per diluted share because it believes that they are important supplemental measures of its comparable controllable operating performance and it wants to ensure that its investors fully understand the impact of its stock-based compensation (net of any related tax impact) on its net income. The Company presents gross margin from its joint revenue sharing arrangements segment excluding initial launch costs because it believes that it is an important supplemental measure used by management to evaluate ongoing joint revenue sharing arrangement theater performance. Management uses these measures to review operating performance on a comparable basis from period to period. However, these non-GAAP measures may not be comparable to similarly titled amounts reported by other companies. Adjusted net income and adjusted net income per diluted share should be considered in addition to, and not as a substitute for, net income and other measures of financial performance reported in accordance with U.S. GAAP.

RESULTS OF OPERATIONS

Management, including the Company’s CEO, who is the Company’s Chief Operating Decision Maker (as defined in the Segment Reporting Topic of the FASB ASC), assesses segment performance based on segment revenues, gross margins and film performance. Selling, general and administrative expenses, research and development costs, amortization of intangibles, receivables provisions (recoveries), write-downs net of recoveries, interest income, interest expense and tax (provision) recovery are not allocated to the segments. As identified in note 19 to the audited consolidated financial statements in Item 8 of the Company’s 2013 Form 10-K, the Company has the following seven reportable segments identified by category of product sold or service provided:

- **IMAX Theater Systems**
  - The IMAX systems segment, which is comprised of the design, manufacture, sale or lease of IMAX theater projection system equipment.
  - The theater system maintenance segment, which is comprised of the maintenance of IMAX theater projection system equipment in the IMAX theater network.
  - The joint revenue sharing arrangements segment, which is comprised of the provision of IMAX theater projection system equipment to exhibitors in exchange for a certain percentage of box-office receipts, and in some cases, concession revenue and/or a small upfront or initial payment.
  - The other segment, which includes certain IMAX theaters that the Company owns and operates, camera rentals and other miscellaneous items.
- **Film**
  - The film production and IMAX DMR segment, which is comprised of the production of films and performance of film re-mastering services.
  - The film distribution segment, which includes the distribution of films for which the Company has distribution rights.
  - The film post-production segment, which includes the provision of film post-production and film print services.

The accounting policies of the segments are the same as those described in note 2 to the audited consolidated financial statements in Item 8 of the Company’s 2013 Form 10-K.

The Company’s Management’s Discussion and Analysis (“MD&A”) of Financial Condition and Results of Operations has been organized by the Company into two primary reporting groups – IMAX Theater Systems and Film. Each of the Company’s reportable segments, as identified above, have been classified into one of these broader reporting groups for purposes of MD&A discussion. The Company believes that this approach is consistent with management’s view of the business and is not expected to have an impact on the readers’ ability to understand the Company’s business. Management feels that a discussion and analysis based on its reporting groups is significantly more relevant as the Company’s consolidated statements of operations captions combine results from several segments.

The following table sets forth the breakdown of revenue and gross margin by category:

(In thousands of U.S. dollars)	Revenue Years Ended December 31, 2013	2012(3)	2011(3)	Gross Margin Years Ended December 31, 2013	2012(3)	2011(3)
IMAX Theater Systems						
IMAX Systems						
Sales and sales-type leases(1)	$ 65,944	$ 69,988	$ 81,310	$ 35,652	$ 36,974	$ 45,251
Ongoing rent, fees, and finance income(2)	14,245	13,417	11,890	13,388	13,271	11,678
Other	11,182	13,019	11,393	102	1,057	510
	91,371	96,424	104,593	49,142	51,302	57,439
Theater System Maintenance	31,978	28,629	24,840	12,096	10,970	9,437
Joint Revenue Sharing Arrangements	64,130	57,526	30,764	44,565	37,308	17,605
Film						
Production and IMAX DMR	83,496	78,050	50,592	56,088	49,355	23,574
Film distribution and post-production	16,962	22,126	24,309	2,712	4,310	6,010
	100,458	100,176	74,901	58,800	53,665	29,584
	$287,937	$282,755	$235,098	$164,603	$153,245	$114,065

(1) Includes initial payments and the present value of fixed minimum payments from equipment, sales and sales-type lease transactions.

(2) Includes rental income from operating leases, contingent rents from operating and sales-type leases, contingent fees from sales arrangements and finance income.

(3) In January 2014, the Company discontinued the operations of its owned and operated Nyack IMAX theater. The Company has reclassified the revenue and costs and expenses applicable to revenues from continuing operations, previously included in its IMAX Theater Systems – Other segment, to discontinued operations. As a result, the respective prior years' figures have been reclassified to conform to the current year's presentation.

Year Ended December 31, 2013 Versus Year Ended December 31, 2012

The Company reported net income of $44.1 million or $0.66 per basic share and $0.64 per diluted share for the year ended December 31, 2013 as compared to net income of $41.3 million or $0.63 per basic share and $0.61 per diluted share for the year ended December 31, 2012. Net income for the year ended December 31, 2013 includes a $11.9 million charge or $0.17 per diluted share (2012 — $13.1 million or $0.19 per diluted share) for stock-based compensation. Adjusted net income, which consists of net income excluding the impact of stock-based compensation and the related tax impact, was $55.7 million or $0.81 per diluted share for the year ended December 31, 2013 as compared to adjusted net income of $54.3 million or $0.80 per diluted share for the year ended December 31, 2012. A reconciliation of net income, the most directly comparable U.S. GAAP measure, to adjusted net income and adjusted net income per diluted share is presented in the table below:

	Year Ended December 31,			
	2013		2012	
	Net Income	Diluted EPS	Net Income	Diluted EPS
Net income	$ 44,115	$ 0.64	$ 41,337	$ 0.61
Add:				
Stock-based compensation	11,928	0.17	13,113	0.19
Tax expense on items listed above	(344)	—	(160)	—
Adjusted net income	$ 55,699	$ 0.81	$ 54,290	$ 0.80
Weighted average diluted shares outstanding		68,961		67,933

Revenues and Gross Margin

The Company's revenues for the year ended December 31, 2013 increased 1.8% to $287.9 million from $282.8 million in 2012, largely due to an increase in revenues from the Company's joint revenue sharing arrangements, production and DMR, and theater system maintenance segments, offset partially by a decrease in revenue from the IMAX systems segment. The gross margin across all segments in 2013 was $164.6 million, or 57.2% of total revenue, compared to $153.3 million, or 54.2% of total revenue in 2012.

IMAX Systems

IMAX systems revenue decreased 5.2% to $91.4 million in 2013 as compared to $96.4 million in 2012. Revenue from sales and sales-type leases decreased 5.8% to $65.9 million in 2013 from $70.0 million in 2012. The Company recognized revenue on 45 full, new theater systems which qualified as either sales or sales-type leases in 2013, with a total value of $54.9 million, versus 47 full, new theater systems in 2012 with a total value of $60.7 million. Additionally, the Company recognized revenue on the installation of 5 xenon-based digital upgrades in 2013, with a total value of $3.2 million, as compared to 12 xenon-based digital upgrades and one 3D GT upgrade (from a 2D GT system) in 2012, with a total value of $5.4 million. Digital upgrades typically have lower sales prices and gross margin than full theater system installations. The Company has decided to offer digital upgrades at lower selling prices for strategic reasons since the Company believes that digital theater systems increase flexibility and profitability for the Company's existing exhibition customers. In 2013, the Company installed and recognized one used 3D GT theater system with a total value of $1.2 million. There were no used theater systems installed in the year ended December 31, 2012.

Average revenue per full, new sales and sales-type lease systems was $1.2 million in 2013, compared to $1.3 million 2012. Average revenue per digital upgrade was $0.6 million in 2013, as compared to $0.4 million in 2012. The average revenue per full, new sales and sales-type lease systems varies depending upon the number of theater system commitments with a single respective exhibitor, an exhibitor's location or other various factors.

The breakdown in mix of sales and sales-type lease and joint revenue sharing arrangements (see discussion below) installations by theater system configuration for 2013 and 2012 is outlined in the table below:

	2013	2012
New IMAX xenon-based digital theater systems - installed and recognized		
Sales and sales-types lease arrangements	46(1)(2)	47
Short-term operating lease arrangement	1(3)	—
Joint revenue sharing arrangement	65(3)	60
Total new theater systems	112	107
IMAX xenon-based digital theater system upgrades - installed and recognized		
Sales and sales-types lease arrangements	5	13(4)
Short-term operating lease arrangement	13(3)	—
Joint revenue sharing arrangement	3(3)	2
Total upgraded theater systems	21	15
IMAX xenon-based digital theater system upgrades - installed and deferred	—	3
Total theater systems installed	133	125

(1) Includes one used IMAX 3D GT system resulting in an addition to the Company's institutional theater network.
(2) Includes one IMAX Private Theater, the first of its kind in the Company's theater network.
(3) Reflects xenon-based digital system configurations, which will be upgraded to a laser-based digital system configuration at a future date.
(4) Includes one upgrade under a sale arrangement from a 2D GT projection system to a 3D projection system

Revenues from sales and sales-type leases include settlement revenue of $0.4 million in 2013 as compared to $0.7 million in 2012.

IMAX theater system margin from full, new sales and sales-type lease systems, excluding the impact of settlements, was 63.3% in 2013, as compared to 62.4% in 2012. Gross margin from digital upgrades was $1.3 million in 2013, as compared to $1.4 million in 2012. In addition, in 2012, the Company incurred a charge of $1.7 million for equipment to enable certain theaters to elect to exhibit certain films in either digital or analog format. Furthermore, in 2013, the Company recorded a write-down of certain film-based projector inventories of $0.3 million, as compared to $0.8 million in 2012.

In 2013, the Company recognized revenue for 10 theater systems under a digital upgrade sales arrangement which were previously installed, but for which revenue recognition was deferred. The arrangement provided the customer with standard digital upgrades, which were installed, and a number of as-of-yet undeveloped upgrades. The Company's policy is to defer revenue recognition until the upgrade right expires, if applicable, or a digital upgrade is delivered. In 2013, the upgrade right in the agreement expired resulting in the contract consideration becoming fixed. Therefore, the Company recognized revenue and gross margin of $3.1 million and a loss of $0.3 million, respectively, from these 10 theater systems which qualify as sales.

In 2013, one of the Company's customers acquired an IMAX theater from another existing customer that had been operating under a joint revenue sharing arrangement. This theater was purchased from the Company under a sale arrangement. As a result of this sale transaction, the Company recorded revenue and margin of $0.9 million and $0.6 million, respectively. The above-referenced theater was included in the Company's 2013 signings total. In 2012, one of the Company's customers acquired 3 IMAX theaters from another existing customer that had been operating under a joint revenue sharing arrangement. These theaters were purchased from IMAX under a sales arrangement. As a result of this sale transaction, the Company recorded revenue and margin of $3.0 million and $2.1 million, respectively. The above-referenced theaters were included in the Company's 2012 signings total. In addition, during the 2012 comparative period, the Company recognized the xenon-based digital upgrade of two theaters under a joint revenue sharing arrangement, which were previously operated under sales/sales-type lease arrangements.

Ongoing rent revenue and finance income increased to $14.2 million in 2013 compared to $13.4 million in 2012. Gross margin for ongoing rent and finance income increased to $13.4 million in 2013 from $13.3 million in 2012. Contingent fees included in this caption amounted to $3.7 million and $3.0 million in 2013 and 2012, respectively.

Other revenue decreased to $11.2 million in 2013 as compared to $13.0 million in 2012, largely due to a decrease in revenue from the Company's after-market sales of 3D glasses. Other revenue primarily includes revenue generated from the Company's theater operations, camera rental business and after-market sales of projection system parts and 3D glasses.

The gross margin on other revenue was $1.0 million lower in 2013 as compared to 2012, primarily due to a lower level of after-market sales.

Theater System Maintenance

Theater system maintenance revenue increased 11.7% to $32.0 million in 2013, as compared to $28.6 million in 2012. Theater system maintenance gross margin increased to $12.1 million in 2013 from $11.0 million in 2012. In 2013, the Company recorded a write-down of $0.2 million for certain service parts inventories as compared to $0.1 million in 2012. Maintenance margins vary depending on the mix of theater system configurations in the theater network and the timing and the date(s) of installation and/or service.

Joint Revenue Sharing Arrangements

Revenues from joint revenue sharing arrangements increased 11.5% to $64.1 million in 2013, as compared to $57.5 million in 2012. The Company ended the year with 382 theaters operating under joint revenue sharing arrangements, as compared to 316 theaters at the end of 2012, an increase of 20.9%. The increase in revenues from joint revenue sharing arrangements was largely due to the greater number of theaters under joint revenue sharing arrangements in operation as compared to the prior year. During 2013, the Company installed 65 full, new theaters under joint revenue sharing arrangements, as compared to 60 full new theaters during 2012.

The gross margin from joint revenue sharing arrangements in 2013 increased 19.5% to $44.6 million compared to $37.3 million in 2012. Included in the calculation of the 2013 gross margin were certain advertising, marketing and commission costs primarily associated with new theater launches of $3.6 million, as compared to $3.4 million for such expenses in 2012. Adjusted gross margin from joint revenue sharing arrangements, which excludes these expenses from both periods, was $48.1 million in 2013, compared to $40.7 million in 2012. A reconciliation of gross margin from the joint revenue sharing arrangement segment, the most directly comparable U.S. GAAP measure, to adjusted gross margin is presented in the table below:

(In thousands of U.S. Dollars)	2013	2012
Gross margin from joint revenue sharing arrangements	$44,565	$37,308
Add:		
Advertising, marketing and commission costs	3,582	3,382
Adjusted gross margin from joint revenue sharing arrangements	$48,147	$40,690

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Film

Revenue from the Company's film segments was $100.5 million in 2013 and $100.2 million in 2012. Gross box-office generated by IMAX DMR films increased 17.1% to $726.6 million in 2013 from $620.6 million in 2012, largely driven by continued network growth. Film production and IMAX DMR revenues increased 7.0% to $83.5 million in 2013 from $78.1 million in 2012. Gross box-office per screen for 2013 averaged $1,150,900, in comparison to $1,153,200 in 2012. In 2013, gross box-office was generated primarily from the exhibition of 44 films listed below (38 new and 6 carryovers), as compared to 39 (35 new and 4 carryover) films exhibited in 2012:

2013 Films Exhibited

The Polar Express: An IMAX *3D Experience*
Skyfall: The IMAX *Experience*
Life of Pi: An IMAX *3D Experience*
CZ12: An IMAX *3D Experience*
The Hobbit: An Unexpected Journey: An IMAX *3D Experience*
Les Misérables: The IMAX *Experience*
The Grandmaster: The IMAX *Experience*
Hansel & Gretel: Witch Hunters: An IMAX *3D Experience*
Journey to the West: Conquering the Demons: An IMAX *3D Experience*
Top Gun: An IMAX *3D Experience*
A Good Day to Die Hard: The IMAX *Experience*
Jack the Giant Slayer: An IMAX *3D Experience*
Oz: The Great and Powerful: An IMAX *3D Experience*
G.I. Joe: Retaliation: An IMAX *3D Experience*
Dragon Ball Z: Battle of the Gods: An IMAX *3D Experience*
Jurassic Park: An IMAX *3D Experience*
Oblivion: The IMAX *Experience*
Iron Man 3: An IMAX *3D Experience*
Star Trek Into Darkness: An IMAX *3D Experience*
Fast & Furious 6: The IMAX *Experience*
After Earth: The IMAX *Experience*
Man of Steel: An IMAX *3D Experience*
World War Z: An IMAX *3D Experience*
Despicable Me 2: An IMAX *3D Experience*
White House Down: The IMAX *Experience*
Man of Tai Chi: The IMAX *Experience*
Lone Ranger: The IMAX *Experience*
Pacific Rim: An IMAX *3D Experience*
Elysium: An IMAX *3D Experience*
The Mortal Instruments: City of Bones: An IMAX *3D Experience*
Riddick: An IMAX *3D Experience*
The Wizard of Oz: An IMAX *3D Experience*
Young Detective Dee: Rise of the Sea Dragon: An IMAX *3D Experience*
Metallica Through the Never: An IMAX *3D Experience*
Gravity: An IMAX *3D Experience*
Stalingrad: An IMAX *3D Experience*
Captain Phillips: The IMAX *Experience*
The Young and Prodigious T.S. Spivet: An IMAX *3D Experience*
Thor: The Dark World: An IMAX *3D Experience*
Ender's Game: The IMAX *Experience*
The Hunger Games: Catching Fire: The IMAX *Experience*
The Hobbit: The Desolation of Smaug: An IMAX *3D Experience*
Dhoom 3: The IMAX *Experience*
Police Story: An IMAX *3D Experience*

2012 Films Exhibited

Happy Feet Two: An IMAX *3D Experience*
Mission: Impossible – Ghost Protocol: The IMAX *Experience*
The Adventures of Tintin: The Secret of the Unicorn: An IMAX *3D Experience*
Flying Swords of Dragon Gate: An IMAX *3D Experience*
Underworld: Awakening: An IMAX *3D Experience*
Journey 2: The Mysterious Island: An IMAX *3D Experience*
The Lorax: An IMAX *3D Experience*
John Carter: An IMAX *3D Experience*
The Hunger Games: An IMAX *3D Experience*
Wrath of the Titans: An IMAX *3D Experience*
Titanic: An IMAX *3D Experience*
Houba! On the Trail of the Marsupilami: The IMAX *Experience*
Battleship: The IMAX *Experience*
The Avengers: An IMAX *3D Experience*
Dark Shadows: The IMAX *Experience*
Men In Black III: An IMAX *3D Experience*
Prometheus: An IMAX *3D Experience*
Madagascar 3: Europe's Most Wanted: An IMAX *3D Experience*
Rock of Ages: The IMAX *Experience*
The Amazing Spiderman: An IMAX *3D Experience*
The Dark Knight Rises: The IMAX *Experience*
Total Recall: The IMAX *Experience*
The Bourne Legacy: The IMAX *Experience*
Indiana Jones and the Raiders of the Lost Ark: The IMAX *Experience*
Resident Evil: Retribution: An IMAX *3D Experience*
Tai Chi 0: An IMAX *3D Experience*
Frankenweenie: An IMAX *3D Experience*
Paranormal Activity 4:The IMAX *Experience*
Tai Chi Hero: An IMAX *3D Experience*
Cloud Atlas: The IMAX *Experience*
Skyfall: The IMAX *Experience*
Cirque du Soleil: Worlds Away: An IMAX *3D Experience*
The Twilight Saga: Breaking Dawn – Part 2: The IMAX *Experience*
Back to 1942: The IMAX *Experience*
Rise of the Guardians: An IMAX *3D Experience*
Life of Pi: An IMAX *3D Experience*
CZ12: An IMAX *3D Experience*
The Hobbit: An Unexpected Journey: An IMAX *3D Experience*
Les Misérables: The IMAX *Experience*

Other revenues attributable to the film segment decreased 23.3% to $17.0 million in 2013 from $22.1 million in 2012. This decrease was largely due to the result of the limited release of one IMAX original film in 2013. In November 2013, in conjunction with MFF, the Company did a limited release of an IMAX original production, *Journey to the South Pacific* whereas in 2012, the Company released the original film *To the Arctic 3D. Journey to the South Pacific* will be distributed to additional IMAX theaters in 2014, as well as the Company's latest original film *Island of Lemurs: Madagascar*.

The Company's gross margin from its film segments increased 9.6% in 2013 to $58.8 million from $53.7 million in 2012. Film production and IMAX DMR gross margins increased to $56.1 million from $49.4 million. Other gross margin attributable to the film segment was $2.7 million in 2013 as compared to $4.3 million in 2012.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased to $82.7 million in 2013, as compared to $81.6 million in 2012. The $1.1 million increase experienced from the prior year comparative period was largely the result of the following:

- a $2.4 million increase in salaries and benefits and other staff costs, net of lower travel and entertainment costs of $0.7 million;
- a $1.9 million increase due to a change in foreign exchange rates. During the year ended December 31, 2013, the Company recorded a foreign exchange loss of $0.7 million for net foreign exchange gains/losses related to the translation of foreign currency denominated monetary assets and liabilities and unhedged foreign currency forward contracts as compared to a gain of $1.2 million recorded in 2012. See note 15(b) of the audited consolidated financial statements in Item 8 of the Company's 2013 Form 10-K for more information; and
- a $0.2 million net increase in other general corporate expenditures.

These increases were partially offset by:

- a $2.2 million decrease resulting from a gain on the curtailment of Canadian postretirement benefits; and;
- a $1.2 million decrease in the Company's stock-based compensation charges.

Research and Development

Research and development expenses increased to $14.8 million in 2013 compared to $11.4 million in 2012 and are primarily attributable to the development of the Company's new laser-based digital projection system. The Company is developing its next-generation laser projector, which is expected to provide greater brightness and clarity, a wider color gamut and deeper blacks, while consuming less power and lasting longer than existing digital technology, to ensure that the Company continues to provide the highest quality, premier movie going experience available to consumers. As of December 31, 2013, the Company had 62 laser-based digital theater systems in its backlog.

A high level of research and development is expected to continue throughout 2014 as the Company continues its efforts to develop its next-generation laser-based projection system. In addition, the Company plans to continue research and development activity in the future in other areas considered important to the Company's continued commercial success, including further improving the reliability of its projectors, developing IMAX theater systems' capabilities in both home and live entertainment, developing more IMAX cameras, enhancing the Company's 2D and 3D image quality, expanding the applicability of the Company's digital technology, and further enhancing the IMAX theater and sound system design through the addition of more channels, improvements to the Company's proprietary tuning system and mastering processes.

Receivable Provisions, Net of Recoveries

Receivable provisions, net of recoveries for accounts receivable and financing receivables amounted to a net provision of $0.4 million in 2013, as compared to $0.5 million in 2012.

The Company's accounts receivables and financing receivables are subject to credit risk. These receivables are concentrated with the leading theater exhibitors and studios in the film entertainment industry. To minimize the Company's credit risk, 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. Accordingly, the Company believes it has adequately protected itself against exposures relating to receivables and contractual commitments.

Asset Impairments and Other Charges

The Company did not record any asset impairment charge in 2013 and 2012, against property, plant and equipment after the Company assessed the carrying value of certain assets in its theater operations segment in light of their future expected cash flows. The Company recognized that the carrying values for the assets did not exceed the expected undiscounted future cash flows.

In 2012, the Company recognized a $0.2 million other-than-temporary impairment of its available-for-sale investment as the value is not expected to recover based on the length of time and extent to which the market value has been less than cost. No such charge was recognized in 2013.

In 2013 and 2012, the Company recorded a charge of $0.4 million and less than $0.1 million, respectively, reflecting assets that no longer meet capitalization requirements as the assets were no longer in use.

Interest Income and Expense

Interest income was $0.1 million in 2013, as compared to $0.1 million in 2012.

Interest expense was $1.3 million in 2013, as compared to $0.7 million in 2012. Consistent with its historical financial reporting, the Company has elected to classify interest and penalties related to income tax liabilities, when applicable, as part of the interest expense in its consolidated statements of operations rather than income tax expense. In 2013 and 2012, the Company recovered less than $0.1 million and $0.8 million, respectively, in potential interest and penalties associated with its provision for uncertain tax positions. Also included in interest expense is the amortization of deferred finance costs in the amount of $0.5 million and $0.2 million in 2013 and 2012, respectively. The Company's policy is to defer and amortize all the costs relating to debt financing which are paid directly to the debt provider, over the life of the debt instrument.

Income Taxes

The Company's effective tax rate differs from the statutory tax rate and varies from year to year primarily as a result of numerous permanent differences, investment and other tax credits, the provision for income taxes at different rates in foreign and other provincial jurisdictions, enacted statutory tax rate increases or reductions in the year, changes due to foreign exchange, changes in the Company's valuation allowance based on the Company's recoverability assessments of deferred tax assets, and favorable or unfavorable resolution of various tax examinations.

In 2013, there was a $1.4 million increase in the Company's estimates of the recoverability of its deferred tax assets based on an analysis of both positive and negative evidence including projected future earnings, as compared to a $0.1 million increase in the valuation allowance in the prior year comparative period. The Company recorded an income tax provision of $16.6 million for 2013, of which $0.1 million is related to a decrease in its provision for uncertain tax positions. For 2012, the Company recorded an income tax provision of $15.1 million, of which $0.8 million was related to a decrease in its provision for uncertain tax positions.

During the year ended December 31, 2013, after considering all available evidence, both positive (including recent profits, projected future profitability, backlog, carryforward periods for utilization of net operating loss carryovers and tax credits, discretionary deductions and other factors) and negative (including cumulative losses in past years and other factors), it was concluded that the valuation allowance against the Company's deferred tax assets should be decreased by approximately $1.4 million. The remaining $4.8 million balance in the valuation allowance as at December 31, 2013 is primarily attributable to certain U.S. federal and state net operating loss carryovers and federal tax credits that may expire without being utilized.

The Company anticipates utilizing the majority of its currently-available tax attributes over the next year. If utilized the related valuation allowance release would be recorded against other equity.

Equity-Accounted Investments

The Company accounts for investments in new business ventures using the guidance of the FASB ASC 323. December 31, 2013, the equity method of accounting is being utilized for investments with a total carrying value of $0.4 million (December 31, 2012 — $3.0 million). For the year ended December 31, 2013, gross revenues, cost of revenue and net loss for these investments were $6.6 million, $26.0 million and $26.3 million, respectively (2012 — $9.0 million, $12.7 million and $13.4 million, respectively). The Company recorded its proportionate share of the net loss which amounted to $2.8 million for 2013 compared to $1.4 million in 2012.

Discontinued Operations

On January 30, 2014, the Company's lease with respect to its owned and operated Nyack IMAX theater ended and the Company has decided not to renew the lease. In 2013, revenues for the Nyack IMAX theater were $1.3 million (2012 — $1.5 million) and the Company recognized a loss of $0.3 million, net of a tax recovery of $0.2 million (2012 — loss of $0.5 million) from the operation of the theater. The transactions of the Company's owned and operated Nyack theater are reflected as discontinued operations.

Pension Plan

The Company has an unfunded defined benefit pension plan, the Supplemental Executive Retirement Plan (the "SERP"), covering Messrs. Gelfond and Bradley J. Wechsler, the Company's former Co-CEO and current Chairman of its Board of Directors. As at December 31, 2013, the Company had an unfunded and accrued projected benefit obligation of approximately $18.3 million (December 31, 2012 — $20.4 million) in respect of the SERP.

The net periodic benefit cost was $0.6 million and $0.6 million in 2013 and 2012, respectively. The components of net periodic benefit cost were as follows:

	Years ended December 31	
	2013	2012
Interest cost	$ 196	$ 272
Amortization of actuarial loss	444	365
Pension expense	$ 640	$ 637

The plan experienced an actuarial gain of $2.3 million and a loss of $1.1 million during 2013 and 2012, respectively, resulting primarily from the continuing change in the Pension Benefit Guaranty Corporation ("PBGC") published annuity interest rates year-over-year used to determine the lump sum payment under the plan.

Under the terms of the SERP, if Mr. Gelfond's employment is terminated other than for cause (as defined in his employment agreement), he is entitled to receive SERP benefits in the form of a lump sum payment. SERP benefit payments to Mr. Gelfond are subject to a deferral for six months after the termination of his employment, at which time Mr. Gelfond will be entitled to receive interest on the deferred amount credited at the applicable federal rate for short-term obligations. Effective January 1, 2013, the term of Mr. Gelfond's current employment agreement was extended through December 31, 2016, although Mr. Gelfond has not informed the Company that he intends to retire at that time. Under the terms of the arrangement, no compensation earned beginning in 2011 is to be included in calculating this entitlement under the SERP.

The Company has a postretirement plan to provide health and welfare benefits to Canadian employees meeting certain eligibility requirements. As at December 31, 2013, the Company had an unfunded benefit obligation of $2.3 million (December 31, 2012 — $4.6 million). In 2013, the Company amended the Canadian postretirement plan to reduce future benefits provided under the plan. As a result of this change, the Company postretirement liability was reduced by $2.6 million, resulting in a pre-tax curtailment gain of $2.2 million. See note 21(d) to the audited consolidated financial statements in Item 8 of the Company's 2013 Form 10-K for additional information.

In July 2000, the Company agreed to maintain health benefits for Messrs. Gelfond and Wechsler upon retirement. As at December 31, 2013, the Company had an unfunded benefit obligation recorded of $0.4 million (December 31, 2012 — $0.5 million).

Stock-Based Compensation

The Company estimates the fair value of stock option and SAR awards on the date of grant using fair value measurement techniques. The fair value of RSU awards is equal to the closing price of the Company's common stock on the date of grant.

Stock-based compensation expense recognized under FASB ASC 718, "Compensation – Stock Compensation" ("ASC 718") for 2013 and 2012 was $11.9 million and $13.1 million, respectively.

Years Ended December 31, 2012 versus Years Ended December 31, 2011

The Company reported net income of $41.3 million or $0.63 per basic share and $0.61 per diluted share for the year ended December 31, 2012 as compared to net income of $15.3 million or $0.24 per basic share and $0.22 per diluted share for the year ended December 31, 2011. Net income for the year ended December 31, 2012 includes a $13.1 million charge, or $0.19 per diluted share (2011 — $11.7 million or $0.17 per diluted share) for stock-based compensation. Net income for December 31, 2011 also includes a one-time $2.1 million pre-tax charge ($0.03 per diluted share) due to an arbitration award arising from an arbitration proceeding brought against the Company in connection with a discontinued subsidiary. Adjusted net income, which consists of net income excluding the impact of the stock-based compensation expense, the charge for arbitration award and the related tax impact, was $54.3 million or $0.80 per diluted share for the year ended December 31, 2012 as compared to adjusted net income of $28.0 million or $0.41 per diluted share for the year ended December 31, 2011. A reconciliation of net income, the most directly comparable U.S. GAAP measure, to adjusted net income and adjusted net income per diluted share is presented in the table below:

	Year Ended December 31,			
	2012		2011	
	Net Income	Diluted EPS	Net Income	Diluted EPS
Reported net income	$ 41,337	$ 0.61	$ 15,260	$ 0.22
Adjustments:				
Stock-based compensation	13,113	0.19	11,681	0.17
Provision for arbitration award	—	—	2,055	0.03
Tax impact on items listed above	(160)	—	(973)	(0.01)
Adjusted net income	$ 54,290	$ 0.80	$ 28,023	$ 0.41
Weighted average diluted shares outstanding		67,933		67,859

Revenues and Gross Margin

The Company's revenues for the year ended December 31, 2012 increased 20.3% to $282.8 million from $235.1 million in 2011 due in large part to increases in revenue from the Company's film and joint revenue sharing arrangement segments, partially offset by lower revenue from the IMAX systems segment. The gross margin across all segments in 2012 was $153.2 million, or 54.2% of total revenue, compared to $114.1 million, or 48.5% of total revenue in 2011. The increase in gross margin is attributable to improved operating leverage and continued theater network growth.

IMAX Systems

IMAX systems revenue decreased 10.5% to $83.4 million in 2012 as compared to $93.2 million in 2011.

Revenue from sales and sales-type leases decreased 13.9% to $70.0 million in 2012 from $81.3 million in 2011, resulting primarily from the installation of fewer digital upgrades and slightly fewer systems under sales and sales-type leases as compared to the prior year. The Company recognized revenue on 12 digital upgrades and one 3D GT upgrade (from a 2D GT system) in 2012, with a total value of $5.4 million, as compared to 25 digital upgrades in 2011 with a total value of $11.6 million. Digital upgrades have lower sales prices and gross margin than a full theater installation. The Company has decided to offer digital upgrades at lower selling prices for strategic reasons since the Company believes that digital systems increase flexibility and profitability for the Company's existing exhibition customers. The Company recognized revenue on 47 full, new theater systems which qualified as either sales or sales-type leases in 2012, with a total value of $60.7 million, as compared to 50 in 2011 with a total value of $63.4 million. There were no used systems installed in 2012, as compared to one used system with a total value of $1.2 million in 2011.

Average revenue per full, new sales and sales-type lease system was $1.3 million in 2012, which is consistent with the $1.3 million experienced in 2011. Average revenue per digital upgrade was $0.4 million in 2012, as compared to $0.5 million in 2011.

The breakdown in mix of sales and sales-type lease, operating lease and joint revenue sharing arrangement installations by theater system configuration in 2012 and 2011 is outlined in the table below:

	2012	2011
New IMAX xenon-based digital theater systems - installed and recognized		
Sales and sales-types lease arrangements	47	51(2)
Joint revenue sharing arrangement	60	86
Total new theater systems	107	137
IMAX xenon-based digital theater system upgrades - installed and recognized		
Sales and sales-types lease arrangements	13(1)	25
Joint revenue sharing arrangement	2	—
Total upgraded theater systems	15	25
IMAX xenon-based digital theater system upgrades - installed and deferred	3	8
Total theater systems installed	125	170

(1) Includes one upgrade under a sale arrangement from a 2D GT projection system to a 3D projection system
(2) Includes one used IMAX 3D GT theater system.

As noted in the table above, 3 and 8 theater systems under a digital upgrade sales arrangement were installed in 2012 and 2011, respectively, but revenue recognition was deferred. The arrangement contained provisions providing the customer with standard digital upgrades, which were installed, and a number of as-of-yet undeveloped upgrades. The Company's policy is such that once the fair value for the undeveloped upgrade is established, the Company allocates total contract consideration, including any upgrade revenues, between the delivered and undelivered elements on a relative fair value basis and recognizes the revenue allocated to the delivered elements with their associated costs. If the arrangement is materially modified in the future such that contract consideration becomes fixed, the arrangement in its entirety would be subject to the provisions of the amended ASC 605-25 and the Company would be required to develop, absent an established selling price or third party evidence of the selling price for the undeveloped specified upgrade, a best estimated selling price for the undeveloped specified upgrade, allocate the arrangement's consideration on a relative selling price allocation basis, and recognize revenue on the delivered elements based on that allocation.

Revenues from sales and sales-type leases include settlement revenue of $0.7 million in 2012 as compared to $3.8 million in 2011. The amount recognized in 2012 is a result of agreements entered into with customers to terminate their existing obligations pertaining to a theater in the IMAX network, whereas settlement revenue recognized in 2011 primarily relates to a consensual buyout for one uninstalled theater system.

In 2012, one of the Company's customers acquired 3 IMAX theaters from another existing customer that had been operating under a joint revenue sharing arrangement. These theaters were purchased from IMAX under a sales arrangement. As a result of this sale transaction, the Company recorded revenue and margin of $3.0 million and $2.1 million, respectively. These above-referenced theaters were included in the Company's 2012 signings total. In addition, during the period the Company recognized the digital upgrade of two theaters under a joint revenue sharing arrangement, which theaters were previously operated under sales/sales-type lease arrangements.

Gross margin from IMAX sales and sales-type lease systems (including new, upgrades and settlements) was $37.0 million, or 52.8% in 2012 compared to $45.3 million, or 55.7% in 2011. Gross margin from full, new sales and sales-type leases, excluding the impact of settlements and upgrades decreased to 62.4% in 2012 from 66.0% in 2011. The gross margin on digital upgrades was $1.4 million in 2012 in comparison with $2.6 million in 2011, which is a reflection of the number of systems upgraded, the particular systems upgraded and the costs associated with such upgrades in their respective periods. There were no used systems installed during 2012, compared to one used system with a gross margin of $0.1 million installed and recognized in 2011. In addition, in 2012, the Company incurred a charge of $1.7 million for equipment to enable certain theaters to elect to exhibit films in either digital or analog format. Furthermore, in 2012, the Company recorded a write-down of certain film-based projector inventories of $0.8 million. No such costs were experienced in 2011.

Ongoing rent revenue and finance income increased to $13.4 million in 2012 from $11.9 million in 2011. Gross margin for ongoing rent and finance income increased to $13.3 million in 2012 from $11.7 million in 2011. Contingent fees included in this caption amounted to $3.0 million and $2.7 million in 2012 and 2011, respectively.

Other revenue increased to $13.0 million in 2012 compared to $11.4 million in 2011. Other revenue primarily includes revenue generated from the Company's owned and operated theaters, camera rentals and after- market sales of projection system parts and 3D glasses.

The gross margin on other revenue was $0.5 million higher in 2012 as compared to 2011.

Theater System Maintenance

Theater system maintenance revenue increased 15.3% to $28.6 million in 2012 as compared to $24.8 million in 2011. Theater system maintenance gross margin increased to $11.0 million in 2012 from $9.4 million in 2011. The increase in revenue and gross margin, respectively, was primarily due to the larger theater network. Maintenance revenue continues to grow as the number of theaters in the IMAX network expands. Maintenance margins vary depending on the mix of theater system configurations in the theater network and the timing and the date(s) of installation and/or service. In 2012, the Company recorded a write-down of $0.1 million for certain service parts inventories as compared to $nil in 2011.

Joint Revenue Sharing Arrangements

Revenues from joint revenue sharing arrangements increased 87.0% to $57.5 million in 2012 compared to $30.8 million in 2011. The Company ended the year with 316 theaters operating under joint revenue sharing arrangements as compared to 257 theaters at the end of 2011, an increase of 23.0%. The increase in revenues from joint revenue sharing arrangements was primarily due to the higher per-screen gross box-office realized from the films released to joint revenue sharing theaters and the increase in the number of theaters in the IMAX theater network from the prior year. During 2012, the Company installed 60 full, new theaters under joint revenue sharing arrangements, as compared to 86 full new theaters during 2011.

The gross margin from joint revenue sharing arrangements in 2012 increased 111.9% to $37.3 million compared to $17.6 million in 2011. The increase was primarily due to higher revenues experienced in 2012 compared to 2011, as well as lower advertising, marketing and selling expenses. Included in the calculation of the 2012 gross margin were certain advertising, marketing, and selling expenses primarily associated with new theater launches of $3.4 million, as compared to $5.4 million for such expenses in 2011 Adjusted gross margin from joint revenue sharing arrangements, which excludes these expenses from both periods, was $40.7 million in 2012, compared to $23.0 million in 2011. A reconciliation of gross margin from the joint revenue sharing arrangement segment, the most directly comparable U.S. GAAP measure, to adjusted gross margin is presented in the table below:

(In thousands of U.S. Dollars)	2012	2011
Gross margin from joint revenue sharing arrangements	$37,308	$17,605
Add:		
Advertising, marketing and selling expenses	3,382	5,432
Adjusted gross margin from joint revenue sharing arrangements	$40,690	$23,037

Film

The Company's total revenues from its three film segments increased 33.7% to $100.2 million in 2012 from $74.9 million in 2011 and the related gross margin increased 81.4% in 2012 to $53.7 million from $29.6 million in 2011.

Film production and IMAX DMR revenues increased 54.3% to $78.1 million in 2012 from $50.6 million in 2011. The increase in film production and IMAX DMR revenues was primarily due to an increase in the number of theaters in the IMAX theater network as well as higher gross box-office from the films released during the period. Global gross box-office generated by IMAX DMR films increased 48.8% to $620.6 million in 2012 versus $417.2 million in 2011. IMAX DMR gross box-office per screen for 2012 averaged $1,153,200 globally, in comparison to $1,069,300 in 2011.

Film production and IMAX DMR gross margins more than doubled to $49.4 million, or 63.2% of revenues, from $23.6 million, or 46.6% of revenues in 2011 largely due to an increase in IMAX DMR revenue coupled with a relatively consistent level of DMR costs as compared to the prior year.

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In 2012, gross box-office was generated primarily from the exhibition of 39 films listed below (35 new and 4 carryovers), as compared to 26 (25 new and 1 carryover) films exhibited in 2011:

2012 Films Exhibited

Happy Feet Two: An IMAX *3D Experience*
Mission: Impossible – Ghost Protocol: The IMAX *Experience*
The Adventures of Tintin: The Secret of the Unicorn: An IMAX *3D Experience*
Flying Swords of Dragon Gate: An IMAX *3D Experience*
Underworld: Awakening: An IMAX *3D Experience*
Journey 2: The Mysterious Island: An IMAX *3D Experience*
The Lorax: An IMAX *3D Experience*
John Carter: An IMAX *3D Experience*
The Hunger Games: An IMAX *3D Experience*
Wrath of the Titans: An IMAX *3D Experience*
Titanic: An IMAX *3D Experience*
Houba! On the Trail of the Marsupilami: The IMAX *Experience*
Battleship: The IMAX *Experience*
The Avengers: An IMAX *3D Experience*
Dark Shadows: The IMAX *Experience*
Men In Black III: An IMAX *3D Experience*
Prometheus: An IMAX *3D Experience*
Madagascar 3: Europe's Most Wanted: An IMAX *3D Experience*
Rock of Ages: The IMAX *Experience*
The Amazing Spiderman: An IMAX *3D Experience*
The Dark Knight Rises: The IMAX *Experience*
Total Recall: The IMAX *Experience*
The Bourne Legacy: The IMAX *Experience*
Indiana Jones and the Raiders of the Lost Ark: The IMAX *Experience*
Resident Evil: Retribution: An IMAX *3D Experience*
Tai Chi 0: An IMAX 3D Experience
Frankenweenie: An IMAX *3D Experience*
Paranormal Activity 4:The IMAX *Experience*
Tai Chi Hero: An IMAX *3D Experience*
Cloud Atlas: The IMAX *Experience*
Skyfall: The IMAX *Experience*
Cirque du Soleil: Worlds Away: An IMAX *3D Experience*
The Twilight Saga: Breaking Dawn – Part 2: The IMAX *Experience*
Back to 1942: The IMAX *Experience*
Rise of the Guardians: An IMAX *3D Experience*
Life of Pi: An IMAX *3D Experience*
CZ12: An IMAX *3D Experience*
The Hobbit: An Unexpected Journey: An IMAX *3D Experience*
Les Misérables: The IMAX *Experience*

2011 Films Exhibited

TRON: Legacy: An IMAX *3D Experience*
The Green Hornet: An IMAX *3D Experience*
Tangled: An IMAX *3D Experience*
Sanctum: An IMAX *3D Experience*
I Am Number Four: The IMAX *Experience*
Mars Needs Moms: An IMAX *3D Experience*
Sucker Punch: The IMAX *Experience*
Fast Five: The IMAX *Experience*
Thor: An IMAX *3D Experience*
Pirates of the Caribbean: On Stranger Tides: An IMAX *3D Experience*
The Founding of a Party: The IMAX *Experience*
Kung Fu Panda 2: An IMAX *3D Experience*
Super 8: The IMAX *Experience*
Cars 2: An IMAX *3D Experience*
Transformers: Dark of the Moon: An IMAX *3D Experience*
Harry Potter and the Deathly Hallows Part II: An IMAX *3D Experience*
Final Destination 5: An IMAX *3D Experience*
Cowboys & Aliens : The IMAX *Experience*
Sector 7: An IMAX *3D Experience*
Contagion: The IMAX *Experience*
Real Steel: The IMAX *Experience*
Puss in Boots: An IMAX *3D Experience*
Happy Feet Two: An IMAX *3D Experience*
Flying Swords of Dragon Gate: An IMAX *3D Experience*
Mission: Impossible – Ghost Protocol: The IMAX *Experience*
The Adventures of Tintin: The Secret of the Unicorn: An IMAX *3D Experience*

Film distribution revenues decreased 11.5% to $14.2 million in 2012 from $16.1 million in 2011, primarily due to lower box-office performance. In 2012, the Company released an original title, *To the Arctic 3D*; during 2011, the Company released the original film *Born To Be Wild 3D*. Film post-production revenues decreased 4.0% to $7.9 million in 2012 from $8.2 million in 2011 primarily due to a decrease in third party business.

The film distribution margin of $2.4 million in 2012 was lower than the $3.0 million experienced in 2011, primarily due to the decrease in film distribution revenues. Film post-production gross margin decreased by $1.0 million due to a decrease in third party business as compared to the prior year.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased to $81.6 million in 2012, as compared to $73.2 million in 2011. The $8.4 million increase experienced from the prior year comparative period was largely the result of the following:

- a $8.6 million increase in staff-related costs and compensation costs, including increased staffing (resulting in part from increased staffing costs of $3.5 million from the Company's wholly-owned subsidiary in China) and normal merit increases;
- a $3.8 million increase from brand-related advertising and promotion in 2012 as compared to the prior year; and
- a $1.4 million increase in the Company's stock-based compensation.

These increases were offset by:

- a $2.5 million decrease due to a change in foreign exchange rates. During the year ended December 31, 2012, the Company recorded a foreign exchange gain of $1.2 million for net foreign exchange gains/losses related to the translation of foreign currency denominated monetary assets and liabilities and unhedged foreign currency forward contracts as compared to a loss of $1.3 million recorded in 2011. See note 16(b) of the audited consolidated financial statements in Item 8 of the Company's 2012 Form 10-K for more information; and
- a $2.9 million decrease in legal, professional and other general corporate expenditures.

Provision for Arbitration Award

During 2011, the Company recorded a provision of $2.1 million regarding an award issued in connection with an arbitration proceeding brought against the Company. The arbitration related to agreements entered into in 1994 and 1995 by the Company's former Ridefilm subsidiary, whose business the Company discontinued through a sale to a third party in March 2001. The award was vacated as the parties entered into a confidential settlement agreement in which the parties agreed to dismiss any outstanding disputes among them.

Research and Development

Research and development expenses increased to $11.4 million in 2012 compared to $7.8 million in 2011 and are primarily attributable to the development of the Company's new laser-based digital projection system. The Company is developing its next-generation laser projectors, which is expected to provide greater brightness and clarity, a wider colour gamut and deeper blacks, while consuming less power and lasting longer than existing digital technology, to ensure that the Company continues to provide the highest quality, premier movie-going experience available to consumers. In 2011, the Company announced the completion of a deal in which it secured certain exclusive license rights to a portfolio of intellectual property in the digital cinema field owned by Kodak, which supports the Company's efforts to develop a next-generation laser digital projection system.

A high level of research and development is expected to continue in 2013 as the Company continues its efforts to develop its next-generation laser-based projection system. In addition, the Company plans to continue research and development activity in the future in other areas considered important to the Company's continued commercial success, including further improving the reliability of its projectors, developing and manufacturing more IMAX cameras, enhancing the Company's 2D and 3D image quality, expanding the applicability of the Company's digital technology, developing IMAX theater systems' capabilities in both home and live entertainment and further enhancing the IMAX theater and sound system design through the addition of more channels, improvements to the Company's proprietary tuning system and mastering processes.

Receivable Provisions, Net of Recoveries

Receivable provisions, net of recoveries for accounts receivable and financing receivables, amounted to a net provision of $0.5 million in 2012, as compared to $1.6 million in 2011.

The Company's accounts receivables and financing receivables are subject to credit risk. These receivables are concentrated with the leading theater exhibitors and studios in the film entertainment industry. To minimize the Company's credit risk, 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. Accordingly, the Company believes it has adequately protected itself against exposures relating to receivables and contractual commitments.

Asset Impairments and Other Charges

The Company recorded an asset impairment charge of $nil, compared to less than $0.1 million in the prior year, against property, plant and equipment after the Company assessed the carrying value of certain assets in its theater operations segment in light of their future expected cash flows. The Company recognized that the carrying values for the assets exceeded the expected undiscounted future cash flows.

In 2012, the Company recognized a $0.2 million other-than-temporary impairment of its available-for-sale investment as the value is not expected to recover based on the length of time and extent to which the market value has been less than cost.

In 2012, the Company recorded a less than $0.1 million charge as compared to a $0.4 million charge in the prior year comparative period reflecting assets that no longer meet capitalization requirements as the assets were no longer in use.

Interest Income and Expense

Interest income was $0.1 million in 2012, as compared to less than $0.1 million in 2011.

Interest expense decreased to $0.7 million in 2012, as compared to $1.8 million in 2011. Consistent with its historical financial reporting, the Company has elected to classify interest and penalties related to income tax liabilities, when applicable, as part of the interest expense in its consolidated statements of operations rather than income tax expense. The Company recovered approximately $0.8 million and expensed $0.1 million in potential interest and penalties associated with its provision for uncertain tax positions for the years ended December 31, 2012 and December 31, 2011, respectively. Also included in interest expense is the amortization of deferred finance costs in the amount of $0.2 million and $0.4 million in 2012 and 2011, respectively. The Company's policy is to defer and amortize all the costs relating to debt financing which are paid directly to the debt provider, over the life of the debt instrument.

Income Taxes

The Company's effective tax rate differs from the statutory tax rate and varies from year to year primarily as a result of numerous permanent differences, investment and other tax credits, the provision for income taxes at different rates in foreign and other provincial jurisdictions, enacted statutory tax rate increases or reductions in the year, changes due to foreign exchange, changes in the Company's valuation allowance based on the Company's recoverability assessments of deferred tax assets, and favorable or unfavorable resolution of various tax examinations.

Due to a change in enacted tax rates, the Company recorded an increase to deferred tax assets and a decrease to the deferred tax provision of $0.5 million in the year ended December 31, 2012. In 2012, there was an overall $0.1 million decrease, of which less than $0.1 million increase was included in the provision and a $0.2 million decrease was included in the loss from discontinued operations. The Company's estimates of the recoverability of its deferred tax assets are based on an analysis of both positive and negative evidence including projected future earnings. In 2011, the Company recorded an overall $1.9 million decrease in the valuation allowance, of which $1.5 million was recorded through the provision and $0.6 million was included in shareholders' equity and a $0.2 million increase was recorded in the loss from discontinued operations, resulting from the utilization of loss carryforwards and deductible temporary differences against income in the prior year comparative period. The Company recorded an income tax provision of $15.1 million for 2012, of which $0.8 million is related to a decrease in its provision for uncertain tax positions. For 2011, the Company recorded an income tax provision of $9.3 million, of which $0.1 million was related to a decrease in is provision for uncertain tax positions.

During the year ended December 31, 2012, after considering all available evidence, both positive (including recent profits, projected future profitability, backlog, carryforward periods for utilization of net operating loss carryovers and tax credits, discretionary deductions and other factors) and negative (including cumulative losses in past years and other factors), it was concluded that the valuation allowance against the Company's deferred tax assets should be increased by approximately $0.1 million. The remaining $6.1 million balance in the valuation allowance as at December 31, 2012 is primarily attributable to certain U.S. federal and state net operating loss carryovers and federal tax credits that likely will expire without being utilized.

The Company anticipates utilizing the majority of its currently-available tax attributes over the next two years.

Equity-Accounted Investments

The Company accounts for investments in new business ventures using the guidance of the FASB ASC 323. December 31, 2012, the equity method of accounting is being utilized for an investment with a carrying value of $3.0 million (December 31, 2011- $4.1 million). For the year ended December 31, 2012, gross revenues, cost of revenue and net loss for the investment were $9.0 million, $12.7 million and $13.4 million, respectively (2011 — $2.3 million, $9.8 million and $17.7 million, respectively). The Company recorded its proportionate share of the net loss which amounted to $1.4 million for 2012 compared to $1.8 million in 2011.

Discontinued Operations

On January 30, 2014, the Company's lease with respect to its owned and operated Nyack IMAX theater ended and the Company has decided not to renew the respective lease. In 2012, revenues for the Nyack IMAX theater were $1.5 million (2011 — $1.5 million) and the Company recognized a loss of $0.5 million (2011 — loss of $0.9 million) from the operation of the theater. The transactions of the Company's owned and operated Nyack theater are reflected as discontinued operations.

Pension Plan

The Company has an unfunded defined benefit pension plan, the Supplemental Executive Retirement Plan (the "SERP"), covering Messrs. Gelfond and Bradley J. Wechsler, the Company's former Co-CEO and current Chairman of its Board of Directors. As at December 31, 2012, the Company had an unfunded and accrued projected benefit obligation of approximately $20.4 million (December 31, 2011 — $19.0 million) in respect of the SERP.

The net periodic benefit cost was $0.6 million and $0.5 million in 2012 and 2011, respectively. The components of net periodic benefit cost were as follows:

	Years ended December 31	
	2012	2011
Interest cost	$ 272	$ 279
Amortization of actuarial loss	365	214
Pension expense	$ 637	$ 493

The plan experienced an actuarial loss of $1.1 million and $0.6 million during 2012 and 2011, respectively, resulting primarily from the continuing decrease in the Pension Benefit Guaranty Corporation ("PBGC") published annuity interest rates year-over-year used to determine the lump sum payment under the plan.

Under the terms of the SERP, if Mr. Gelfond's employment is terminated other than for cause, he is entitled to receive SERP benefits in the form of a lump sum payment. SERP benefit payments to Mr. Gelfond are subject to a deferral for six months after the termination of his employment, at which time Mr. Gelfond will be entitled to receive interest on the deferred amount credited at the applicable federal rate for short-term obligations.

The Company has a postretirement plan to provide health and welfare benefits to Canadian employees meeting certain eligibility requirements. As at December 31, 2012, the Company had an unfunded benefit obligation of $4.6 million (December 31, 2011 — $4.1 million).

In July 2000, the Company agreed to maintain health benefits for Messrs. Gelfond and Wechsler upon retirement. As at December 31, 2012, the Company had an unfunded benefit obligation recorded of $0.5 million (December 31, 2011 — $0.5 million).

Stock-Based Compensation

The Company utilizes the Binomial Model to determine the fair value of stock-based payment awards. The fair value determined by the Binomial Model is affected by the Company's stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to, the Company's expected stock price volatility over the term of the awards, and actual and projected employee stock option exercise behaviors. The Binomial Model also considers the expected exercise multiple which is the multiple of exercise price to grant price at which exercises are expected to occur on average. Option-pricing models were developed for use in estimating the value of traded options that have no vesting or hedging restrictions and are fully transferable. Because the Company's employee stock options and SARs have certain characteristics that are significantly different from traded options, and because changes in the subjective assumptions can materially affect the estimated value, in management's opinion, the Binomial Model best provides an accurate measure of the fair value of the Company's employee stock options and SARs. Although the fair value of employee stock options and SARs are determined in accordance with the Equity topic of the FASB ASC using an option-pricing model, that value may not be indicative of the fair value observed in a willing buyer/willing seller market transaction.

Stock-based compensation expense recognized under FASB ASC 718, "Compensation – Stock Compensation" ("ASC 718") for 2012 and 2011 was $13.1 million and $11.9 million, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Credit Facility

On February 7, 2013, the Company amended and restated the terms of its existing senior secured credit facility (the "Prior Credit Facility"). The amended and restated facility (the "Credit Facility"), with a scheduled maturity of February 7, 2018, has a maximum borrowing capacity of $200.0 million. The Prior Credit Facility had a maximum borrowing capacity of $110.0 million. Certain of the Company's subsidiaries serve as guarantors (the "Guarantors") of the Company's obligations under the Credit Facility. The Credit Facility is collateralized by a first priority security interest in substantially all of the present and future assets of the Company and the Guarantors.

The Company's indebtedness under the Credit Facility includes the following:

	December 31, 2013	December 31, 2012
Revolving Loan	$ —	$ 11,000

Total amounts drawn and available under the Credit Facility at December 31, 2013 were $nil and $200.0 million (December 31, 2012 – $11.0 million and $99.0 million).

The terms of the Credit Facility are set forth in the Third Amended and Restated Credit Agreement (the "Credit Agreement"), dated February 7, 2013, among the Company, the Guarantors, the lenders named therein, Wells Fargo Bank, National Association ("Wells Fargo"), as agent and issuing lender (Wells Fargo, together with the lenders named therein, the "Lenders") and Wells Fargo Securities, LLC, as Sole Lead Arranger and Sole Bookrunner and in various collateral and security documents entered into by the Company and the Guarantors. Each of the Guarantors has also entered into a guarantee in respect of the Company's obligations under the Credit Facility.

The Credit Facility permits the Company to undertake up to $150.0 million in stock buybacks and dividends, provided certain covenants in the Credit Agreement are maintained. In the event that the Company undertakes stock buybacks or makes dividend payments, any amounts outstanding under the revolving portion of the Credit Facility up to the first $75.0 million of any such stock buybacks and dividend payments will be converted to a term loan.

The amounts outstanding under the Credit Facility bear interest, at the Company's option, at (i) LIBOR plus a margin of (a) 1.50%, 1.75% or 2.00% depending on the Company's Total Leverage Ratio (as defined in the Credit Agreement) per annum, or (ii) Wells Fargo's prime rate plus a margin of 0.50% per annum. In addition, the Company is obligated to pay a Commitment Fee (as defined in the Credit Agreement) per annum of between 0.25% and 0.50% of the unused portion of the Credit Facility, depending on the Company's Total Leverage Ratio. Term loans, if any, under the Credit Facility must be repaid under a 5-year straight line amortization, with a balloon payment due at maturity. The Company is required to provide an interest rate hedge for 50% of any term loans outstanding after January 1, 2015. Under the Credit Facility, the effective interest rate for the year ended December 31, 2013 for the revolving term loan portion was 2.41% (2012 – 2.42%).

The Credit Facility provides that the Company will be required to maintain a Fixed Charge Coverage Ratio (as defined in the Credit Agreement) of not less than 1.1:1. The Company will also be required to maintain minimum EBITDA (as defined in the Credit Agreement) of $80.0 million on December 31, 2013, which increases to $90.0 million on December 31, 2014, and $100.0 million on December 31, 2015. The Company must also maintain a Maximum Total Leverage Ratio (as defined in the Credit Agreement) of 2.25:1 on December 31, 2013, which requirement decreases to 2.0:1 on December 31, 2014, and 1.75:1 on December 31, 2015. The Company was in compliance with all of these requirements at December 31, 2013. The ratio of total debt to EBITDA was nil:1 as at December 31, 2013, where Total Debt (as defined in the Credit Agreement) is the sum of all obligations evidenced by notes, bonds, debentures or similar instruments and was $nil. EBITDA is calculated as follows:

EBITDA per Credit Facility:
(In thousands of U.S. Dollars)

Net income	$ 44,115
Add:	
Loss from equity accounted investments	2,757
Provision for income taxes(1)	16,470
Interest expense, net of interest income	1,290
Depreciation and amortization, including film asset amortization(2)	36,685
Write-downs, net of recoveries including receivable provisions(2)	1,336
Stock and other non-cash compensation	12,685
Gain on curtailment of postretirement benefits	(2,185)
	$113,153

(1) Includes a tax recovery in discontinued operations of $0.2 million.
(2) See note 18 to the audited consolidated financial statements in Item 8 of the Company's 2013 Form 10-K.

The Credit Facility contains typical affirmative and negative covenants, including covenants that limit or restrict the ability of the Company and the guarantors to: incur certain additional indebtedness; make certain loans, investments or guarantees; pay dividends; make certain asset sales; incur certain liens or other encumbrances; conduct certain transactions with affiliates and enter into certain corporate transactions.

The Credit Facility also contains customary events of default, including upon an acquisition or change of control or upon a change in the business and assets of the Company or a Guarantor that in each case is reasonably expected to have a material adverse effect on the Company or a guarantor. If an event of default occurs and is continuing under the Credit Facility, the Lenders may, among other things, terminate their commitments and require immediate repayment of all amounts owed by the Company.

Letters of Credit and Other Commitments

As at December 31, 2013, the Company did not have any letters of credit and advance payment guarantees outstanding (December 31, 2012 — $nil), under the Credit Facility.

The Company also has a $10.0 million facility for advance payment guarantees and letters of credit through the Bank of Montreal for use solely in conjunction with guarantees fully insured by EDC (the “Bank of Montreal Facility”). The Bank of Montreal Facility is unsecured and includes typical affirmative and negative covenants, including delivery of annual consolidated financial statements within 120 days of the end of the fiscal year. The Bank of Montreal Facility is subject to periodic annual reviews. As at December 31, 2013, the Company had letters of credit and advance payment guarantees outstanding of $0.3 million under the Bank of Montreal Facility as compared to $0.9 million as at December 31, 2012.

Cash and Cash Equivalents

As at December 31, 2013, the Company’s principal sources of liquidity included cash and cash equivalents of $29.5 million, the Credit Facility, anticipated collection from trade accounts receivable of $73.1 million including receivables from theaters under joint revenue sharing arrangements and DMR agreements with studios, anticipated collection from financing receivables due in the next 12 months of $19.8 million and payments expected in the next 12 months on existing backlog deals. As at December 31, 2013, the Company did not have any amount drawn on the Credit Facility (with remaining availability of $200.0 million). There were $nil letters of credit and advance payment guarantees outstanding under the Credit Facility and $0.3 million under the Bank of Montreal Facility.

During the year ended December 31, 2013, the Company’s operations provided cash of $55.0 million and the Company used cash of $38.3 million to fund capital expenditures, principally to build equipment for use in joint revenue sharing arrangements, to purchase other intangible assets, including costs to develop the Company’s new enterprise resource planning (“ERP”) system, and to purchase property, plant and equipment. Based on management’s current operating plan for 2014, the Company expects to continue to use cash to deploy additional theater systems under joint revenue sharing arrangements and to fund DMR agreements with studios. Cash flows from joint revenue sharing arrangements are derived from the theater box-office receipts and concession revenues and the Company invested directly in the roll out of 65 new theater systems under joint revenue sharing arrangements in 2013.

The Company believes that cash flow from operations together with existing cash and borrowing available under the Credit Facility will be sufficient to fund the Company's business operations, including its strategic initiatives relating to existing joint revenue sharing arrangements for the next 12 months.

The Company's operating cash flow will be adversely affected if management's projections of future signings for theater systems and film performance, theater installations and film productions are not realized. Since the Company's future cash flows are based on estimates and there may be factors that are outside of the Company's control (see "Risk Factors" in Item 1A in the Company's 2013 Form 10-K), there is no guarantee that the Company will continue to be able to fund its operations through cash flows from operations. Under the terms of the Company's typical sale and sales-type lease agreement, the Company receives substantial cash payments before the Company completes the performance of its obligations. Similarly, the Company receives cash payments for some of its film productions in advance of related cash expenditures.

Operating Activities

The Company's net cash provided by operating activities is affected by a number of factors, including the proceeds associated with new signings of theater system lease and sale agreements in the year, costs associated with contributing systems under joint revenue sharing arrangements, the box-office performance of films distributed by the Company and/or released to IMAX theaters, increases or decreases in the Company's operating expenses, including research and development, and the level of cash collections received from its customers.

Cash provided by operating activities amounted to $55.0 million in 2013. Changes in other non-cash operating assets as compared to 2012 include: an increase of $31.0 million in accounts receivable; an increase of $13.4 million in financing receivables; a decrease of $1.9 million in inventories; a decrease of $0.2 million in prepaid expenses; and a $0.4 million decrease in insurance recoveries receivable and a $0.1 million decrease in commissions and other deferred selling expenses offset by a $0.3 million increase in other assets. Changes in other operating liabilities as compared to December 31, 2012 include: an increase in deferred revenue of $2.5 million related to backlog payments received in the current year, offset partially by amounts relieved from deferred revenue related to theater system installations; an increase in accounts payable of $7.2 million; and a decrease of $1.3 million in accrued liabilities which is net of $2.4 million for stock-based compensation payments in the year.

Investing Activities

Net cash used in investing activities amounted to $42.3 million in 2013, which includes an investment in joint revenue sharing equipment of $22.8 million, purchases of $13.0 million in property, plant and equipment, an investment in new business ventures of $4.0 million and an increase in other intangible assets of $2.5 million. Net cash used in investment activities amounted to $35.5 million in 2012.

Financing Activities

Net cash used in financing activities in 2013, amounted to $4.4 million as compared to $34.8 million in 2012, which includes net bank indebtedness repayments of $11.0 million, fees paid of $2.2 million relating to the Credit Facility amendment and $0.2 million in share issuance expenses. These payments were offset by proceeds from the issuance of common shares resulting from stock option exercises of $9.0 million.

Capital Expenditures

Capital expenditures, including the Company's investment in joint revenue sharing equipment, purchase of property, plant and equipment, net of sales proceeds, other intangible assets and investments in film assets were $59.2 million in 2013 as compared to $52.0 million in 2012. In 2014 the Company anticipates continued capital expenditures due in large part to the roll-out of theaters pursuant to joint revenue sharing arrangements. The Company anticipates a higher level of capital expenditures in 2014 primarily as a result of the Company's purchase of land and construction of its new facility in Playa Vista. A significant portion of the Playa Vista project is expected to be financed through a construction loan and related facility, which will offset the cash outlay associated with the project. See "Properties" in Item 2 in the Company's 2013 Form 10-K.

Prior Year Cash Flow Activities

Net cash provided by operating activities amounted to $73.6 million in the year ended December 31, 2012. Changes in other non-cash operating assets as compared to 2011 include: an increase of $7.3 million in financing receivables; a decrease of $4.1 million in accounts receivable; an increase of $0.4 million in inventories; an increase of $0.7 million in prepaid expenses; and a $0.1 million increase in other assets which includes a $0.4 million decrease in insurance recoveries receivable, a $0.3 million decrease in commissions and other deferred selling expenses and a $0.8 million decrease in other assets. Changes in other operating liabilities as compared to December 31, 2011 include: a decrease in deferred revenue of $0.5 million related to backlog payments received in the current year, offset by amounts relieved from deferred revenue related to theater system installations; a decrease in accounts payable of $8.1 million; and a decrease of $2.3 million in accrued liabilities.

Net cash used in investing activities in the year ended December 31, 2012 amounted to $35.5 million, which includes an investment in joint revenue sharing equipment of $23.3 million, purchases of $6.1 million in property, plant and equipment, an additional investment in business ventures of $0.4 million and an increase in other intangible assets of $5.8 million. Net cash used in financing activities in 2012 amounted to $34.8 million, primarily due to the net repayment of bank indebtedness of $44.0 million.

Capital expenditures including the Company's investment in joint revenue sharing equipment, purchase of property, plant and equipment net of sales proceeds and investments in film assets were $52.0 million in the year ended December 31, 2012.

CONTRACTUAL OBLIGATIONS

Payments to be made by the Company under contractual obligations are as follows:

		Payments Due by Period					
(In thousands of U.S. Dollars)	Total Obligations	2014	2015	2016	2017	2018	Thereafter
Pension obligations(1)	$ 19,228	$ —	$ —	$—	$19,228	$—	$ —
Credit Facility(2)	—	—	—	—	—	—	—
Operating lease obligations(3)	10,066	6,454	1,537	695	533	533	314
Purchase obligations(4)	11,834	11,829	2	3	—	—	—
Postretirement benefits obligations(5)	2,737	99	114	127	143	154	2,100
Capital lease obligations(6)	2	2	—	—	—	—	—
	$ 43,867	$18,384	$1,653	$825	$19,904	$687	$ 2,414

(1) The SERP assumptions are that Mr. Gelfond will receive a lump sum payment six months after retirement at the end of the current term of his employment agreement (December 31, 2016), although Mr. Gelfond has not informed the Company that he intends to retire at that time.
(2) Interest on the Credit Facility is payable quarterly in arrears based on the applicable variable rate and is not included above.
(3) The Company's total minimum annual rental payments to be made under operating leases, mostly consisting of rent at the Company's properties in New York and Santa Monica, and at the various owned and operated theaters.
(4) The Company's total payments to be made under binding commitments with suppliers and outstanding payments to be made for supplies ordered but yet to be invoiced.
(5) In 2013, the Company amended the Canadian postretirement plan to reduce future benefits provided under the plan. As a result of this change, the Company's postretirement liability was reduced by $2.6 million, resulting in a pre-tax curtailment gain in 2013 of $2.2 million.
(6) The Company's total minimum annual payments to be made under capital leases, mostly consisting of payments for IT hardware and various other fixed assets.

Pension and Postretirement Obligations

The Company has an unfunded defined benefit pension plan, the SERP, covering Messrs. Gelfond and Wechsler. As at December 31, 2013, the Company had an unfunded and accrued projected benefit obligation of approximately $18.3 million (December 31, 2012 — $20.4 million) in respect of the SERP.

On August 1, 2010, the Company made a lump sum payment to Mr. Wechsler in accordance with the terms of the plan, representing a settlement of Mr. Wechsler's entitlement under the SERP. Under the terms of the SERP, if Mr. Gelfond's employment is terminated other than for cause, he is entitled to receive SERP benefits in the form of a lump sum payment. SERP benefit payments to Mr. Gelfond are subject to a deferral for six months after the termination of his employment, at which time Mr. Gelfond will be entitled to receive interest on the deferred amount credited at the applicable federal rate for short-term obligations. Effective January 1, 2013, the term of Mr. Gelfond's current employment agreement was extended through December 31, 2016, although Mr. Gelfond has not informed the Company that he intends to retire at that time. Under the terms of the arrangement, no compensation earned beginning in 2011 is to be included in calculating his entitlement under the SERP.

The Company has a postretirement plan to provide health and welfare benefits to Canadian employees meeting certain eligibility requirements. As at December 31, 2013, the Company had an unfunded benefit obligation of $2.1 million (December 31, 2012 — $4.6 million). In 2013, the Company amended the Canadian postretirement plan to reduce future benefits provided under the plan. As a result of this change, the Company's postretirement liability was reduced by $2.6 million, resulting in a pre-tax curtailment gain of $2.2 million. See note 21(d) in Item 8 of the audited consolidated financial statements in the Company's 2013 Form 10-K for additional details.

In July 2000, the Company agreed to maintain health benefits for Messrs. Gelfond and Wechsler upon retirement. As at December 31, 2013, the Company had an unfunded benefit obligation of $0.4 million (December 31, 2012 — $0.5 million).

OFF-BALANCE SHEET ARRANGEMENTS

There are currently no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on the Company's financial condition.

Item 7A. *Quantitative and Qualitative Factors about Market Risk*

The Company is exposed to market risk from foreign currency exchange rates and interest rates, which could affect operating results, financial position and cash flows. Market risk is the potential change in an instrument's value caused by, for example, fluctuations in interest and currency exchange rates. The Company's primary market risk exposure is the risk of unfavorable movements in exchange rates between the U.S. dollar, the Canadian dollar and the Chinese Yuan Renminbi. The Company does not use financial instruments for trading or other speculative purposes.

Foreign Exchange Rate Risk

A majority of the Company's revenue is denominated in U.S. dollars while a significant portion of its costs and expenses is denominated in Canadian dollars. A portion of the Company's net U.S. dollar cash flows is converted to Canadian dollars to fund Canadian dollar expenses through the spot market. The Company has incoming cash flows from its revenue generating theaters and ongoing operating expenses in China through its wholly-owned subsidiary IMAX Shanghai Multimedia Technology Co., Ltd. In Japan, the Company has ongoing Yen-denominated operating expenses related to its Japanese operations. Net Renminbi and Japanese Yen cash flows are converted to U.S. dollars through the spot market. The Company also has cash receipts under leases denominated in Japanese Yen, Euros and Canadian dollars.

The Company manages its exposure to foreign exchange rate risks through the Company's regular operating and financing activities and, when appropriate, through the use of derivative financial instruments. These derivative financial instruments are utilized to hedge economic exposures as well as reduce earnings and cash flow volatility resulting from shifts in market rates.

For the year ended December 31, 2013, the Company recorded a foreign exchange net loss of $0.7 million as compared with a foreign exchange net gain of $1.2 million in 2012, associated with the translation of foreign currency denominated monetary assets and liabilities and unhedged foreign exchange contracts.

The Company entered into a series of foreign currency forward contracts to manage the Company’s risks associated with the volatility of foreign currencies. The forward contract have settlement dates throughout 2014. In addition, at December 31, 2013, the Company held foreign currency forward contracts to manage foreign currency risk on future anticipated Canadian dollar expenditures that were not considered foreign currency hedges by the Company. Foreign currency derivatives are recognized and measured in the balance sheet at fair value. Changes in the fair value (gains or losses) are recognized in the consolidated statement of operations except for derivatives designated and qualifying as foreign currency hedging instruments. For foreign currency hedging instruments, the effective portion of the gain or loss in a hedge of a forecasted transaction is reported in other comprehensive income and reclassified to the consolidated statement of operations when the forecasted transaction occurs. Any ineffective portion is recognized immediately in the consolidated statement of operations. The notional value of foreign currency hedging instruments at December 31, 2013 was $23.6 million (December 31, 2012 — $8.1 million). A loss of $1.0 million was recorded to Other Comprehensive Income with respect to the depreciation/appreciation in the value of these contracts in 2013 (2012 — gain of $0.7 million). A loss of $0.3 million was reclassified from Accumulated Other Comprehensive Income to selling, general and administrative expenses in 2013 (2012 — gain of $0.2 million). Appreciation or depreciation on forward contracts not meeting the requirements for hedge accounting in the Derivatives and Hedging Topic of the FASB Accounting Standards Codification are recorded to selling, general and administrative expenses.

For all derivative instruments, the Company is subject to counterparty credit risk to the extent that the counterparty may not meet its obligations to the Company. To manage this risk, the Company enters into derivative transactions only with major financial institutions.

At December 31, 2013, the Company’s financing receivables and working capital items denominated in Canadian dollars, Renminbi, Yen and Euros was $30.2 million. Assuming a 10% appreciation or depreciation in foreign currency exchange rates from the quoted foreign currency exchange rates at December 31, 2013, the potential change in the fair value of foreign currency-denominated financing receivables and working capital items would have been $3.0 million. A significant portion of the Company’s selling, general, and administrative expenses is denominated in Canadian dollars. Assuming a 1% change appreciation or depreciation in foreign currency exchange rates at December 31, 2013, the potential change in the amount of selling, general, and administrative expenses would be $0.1 million for every $10.0 million in Canadian denominated expenditures.

Interest Rate Risk Management

The Company’s earnings are also affected by changes in interest rates due to the impact those changes have on its interest income from cash, and its interest expense from variable-rate borrowings under the Credit Facility.

As at December 31, 2013, the Company borrowings under the Credit Facility were $nil (December 31, 2012 — $11.0 million).

The Company’s largest exposure with respect to variable rate debt comes from changes in LIBOR. The Company had variable rate debt instruments representing approximately 6.5% of its total liabilities as at December 31, 2012. No such comparative is available for 2013 as the Company did not have any variable rate debt instruments as at December 31, 2013. If interest rates available to the Company increased by 10%, the Company’s interest expense would increase by approximately less than $0.1 million and interest income from cash would increase by approximately less than $0.1 million. These amounts are determined by considering the impact of the hypothetical interest rates on the Company’s cash balances at December 31, 2013.

Item 8. ***Financial Statements and Supplementary Data***

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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Report of Independent Registered Public Accounting Firm

To the Shareholders of IMAX Corporation:

We have audited the accompanying consolidated balance sheets of IMAX Corporation and its subsidiaries as of December 31, 2013 and December 31, 2012 and the related consolidated statements of operations, comprehensive income, cash flows and shareholders' equity for each of the years in the three-year period ended December 31, 2013. In addition, we have audited the financial statements schedule listed in the index appearing under item 15 (a) (2). We also have audited IMAX Corporation's and its subsidiaries' internal control over financial reporting as of December 31, 2013 based on criteria established in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management is responsible for these consolidated financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting under Item 9A of its 2013 Annual Report on Form 10-k. Our responsibility is to express an opinion on these consolidated financial statements, the financial statements schedule and the company's internal control over financial reporting based on our integrated audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements and the financial statement schedule are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of IMAX Corporation and its subsidiaries as of December 31, 2013 and December 31, 2012 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2013 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements schedule listed in the index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also, in our opinion, IMAX Corporation and its subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control - Integrated Framework (1992) issued by COSO.

/s/ PricewaterhouseCoopers LLP
Chartered Professional Accountants, Licensed Public Accountants
Toronto, Ontario
February 20, 2014

IMAX CORPORATION
CONSOLIDATED BALANCE SHEETS
In accordance with United States Generally Accepted Accounting Principles
(In thousands of U.S. dollars)

	As at December 31, 2013	As at December 31, 2012
Assets		
Cash and cash equivalents	$ 29,546	$ 21,336
Accounts receivable, net of allowance for doubtful accounts of $887 (December 31, 2012 — $1,564)	73,074	42,007
Financing receivables (notes 4 and 20(c))	107,110	94,193
Inventories (note 5)	9,825	15,794
Prepaid expenses	3,602	3,833
Film assets (note 6)	7,076	3,737
Property, plant and equipment (note 7)	132,847	113,610
Other assets (notes 8, 20(d) and 20(e))	27,034	23,963
Deferred income taxes (note 9)	24,259	36,461
Goodwill	39,027	39,027
Other intangible assets (note 10)	27,745	27,911
Total assets (note 22(c))	**$481,145**	**$421,872**
Liabilities		
Bank indebtedness (note 11)	$ —	$ 11,000
Accounts payable	19,396	15,144
Accrued and other liabilities (notes 6, 12(a), 12(c), 13, 14(c), 20(b), 20(d), 21, and 23)	65,232	68,695
Deferred revenue	76,932	73,954
Total liabilities (note 22(c))	**161,560**	**168,793**
Commitments and contingencies (notes 12 and 13)		
Shareholders' equity		
Capital stock (note 14) common shares — no par value. Authorized — unlimited number.		
Issued and outstanding — 67,841,233 (December 31, 2012 — 66,482,425)	327,313	313,744
Other equity	36,452	28,892
Deficit	(43,051)	(87,166)
Accumulated other comprehensive loss	(1,129)	(2,391)
Total shareholders' equity	**319,585**	**253,079**
Total liabilities and shareholders' equity	**$481,145**	**$421,872**

(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 amounts)

	Years Ended December 31,		
	2013	**2012**	**2011**
Revenues			
Equipment and product sales	$ 78,663	$ 78,161	$ 85,016
Services (note 15(c))	139,464	135,071	105,262
Rentals (note 15(c))	61,293	61,268	34,810
Finance income	8,142	7,523	6,162
Other (note 15(a))	375	732	3,848
	287,937	**282,755**	**235,098**
Costs and expenses applicable to revenues (note 2(m))			
Equipment and product sales	37,517	37,538	38,742
Services (note 15(c))	68,844	70,570	66,972
Rentals	16,973	21,402	14,301
Other	—	—	1,018
	123,334	**129,510**	**121,033**
Gross margin	**164,603**	**153,245**	**114,065**
Selling, general and administrative expenses (note 15(b)) (including share-based compensation expense of $11.9 million, $13.1 million and $11.7 million for 2013, 2012, 2011, respectively)	82,669	81,560	73,157
Provision for arbitration award	—	—	2,055
Research and development	14,771	11,411	7,829
Amortization of intangibles	1,618	706	465
Receivable provisions, net of recoveries (note 16)	445	524	1,570
Asset impairments (note 17)	—	—	20
Impairment of available-for-sale investment	—	150	—
Income from operations	**65,100**	**58,894**	**28,969**
Interest income	55	85	57
Interest expense (note 9(g))	(1,345)	(689)	(1,827)
Income from operations before income taxes	**63,810**	**58,290**	**27,199**
Provision for income taxes	(16,629)	(15,079)	(9,293)
Loss from equity-accounted investments	(2,757)	(1,362)	(1,791)
Income from continuing operations	**44,424**	**41,849**	**16,115**
Net loss from discontinued operations (note 22)	(309)	(512)	(855)
Net income	**$ 44,115**	**$ 41,337**	**$ 15,260**
Net income per share - basic and diluted: (note 14(d))			
Net income per share - basic:			
Net income per share from continuing operations	$ 0.66	$ 0.64	$ 0.25
Net loss per share from discontinued operations	—	(0.01)	(0.01)
	$ 0.66	**$ 0.63**	**$ 0.24**
Net income per share - diluted:			
Net income per share from continuing operations	$ 0.64	$ 0.62	$ 0.23
Net loss per share from discontinued operations	—	(0.01)	(0.01)
	$ 0.64	**$ 0.61**	**$ 0.22**

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

IMAX CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
In accordance with United States Generally Accepted Accounting Principles
(In thousands of U.S. dollars)

	Years Ended December 31,		
	2013	2012	2011
Net income	**$ 44,115**	**$ 41,337**	**$ 15,260**
Unrealized defined benefit plan actuarial gain (loss) (note 21(a))	2,277	(1,104)	(603)
Amortization of defined benefit plan actuarial loss (note 21(a))	444	365	214
Unrealized postretirement benefit plans actuarial loss (notes 21(c) and 21(d))	(169)	(129)	(234)
Gain on curtailment of postretirement benefit plan (note 21(d))	398	—	—
Unrealized net (loss) gain from cash flow hedging instruments (note 20(d))	(1,031)	716	(162)
Realization of cash flow hedging net loss (gain) upon settlement (note 20(d))	312	(236)	(684)
Foreign currency translation adjustments (note 2)	(115)	—	—
Change in market value of available-for-sale investment (note 20(b))	(350)	338	(488)
Other-than-temporary impairment of available-for-sale investment (note 20(b))	—	150	—
Other comprehensive income (loss), before tax:	**1,766**	**100**	**(1,957)**
Income tax (expense) recovery related to other comprehensive income (loss) (note 9(h))	(504)	43	446
Comprehensive income	**$ 45,377**	**$ 41,480**	**$ 13,749**

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

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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,		
	2013	**2012**	**2011**
Cash provided by (used in):			
Operating Activities			
Net income	$ 44,115	$ 41,337	$ 15,260
Net loss from discontinued operations (note 22)	309	512	855
Adjustments to reconcile net income to cash from operations:			
Depreciation and amortization (notes 18(c) and 19(a))	37,172	32,788	25,163
Write-downs, net of recoveries (notes 18(d) and 19(a))	1,336	1,607	1,946
Change in deferred income taxes	12,899	14,724	7,994
Stock and other non-cash compensation	12,685	14,220	12,814
Provision for arbitration award	—	—	2,055
Unrealized foreign currency exchange loss (gain)	1,183	(329)	1,255
Gain on curtailment of postretirement benefits (note 21(d))	(2,185)	—	—
Loss from equity-accounted investments	2,757	1,362	1,791
Gain on non-cash contribution to equity-accounted investees	—	—	(404)
Investment in film assets	(20,935)	(16,817)	(12,256)
Changes in other non-cash operating assets and liabilities (note 18(a))	(33,755)	(15,262)	(49,379)
Net cash used in operating activities from discontinued operations	(548)	(512)	(847)
Net cash provided by operating activities	**55,033**	**73,630**	**6,247**
Investing Activities			
Purchase of property, plant and equipment	(13,016)	(6,055)	(5,528)
Investment in joint revenue sharing equipment	(22,775)	(23,257)	(33,290)
Investment in new business ventures	(4,000)	(381)	(2,483)
Acquisition of other intangible assets	(2,486)	(5,826)	(22,206)
Net cash used in investing activities	**(42,277)**	**(35,519)**	**(63,507)**
Financing Activities			
Increase in bank indebtedness (note 11)	12,000	9,917	75,083
Repayment of bank indebtedness (note 11)	(23,000)	(54,000)	(37,500)
Common shares issued - stock options exercised (note 14(b))	8,970	8,920	7,864
Proceeds from disgorgement of stock sale profits	—	314	—
Credit facility amendment fees paid	(2,151)	—	(306)
Share issuance expenses	(202)	—	—
Net cash (used in) provided by financing activities	**(4,383)**	**(34,849)**	**45,141**
Effects of exchange rate changes on cash	(163)	(64)	(133)
Increase (decrease) in cash and cash equivalents during year	**8,210**	**3,198**	**(12,252)**
Cash and cash equivalents, beginning of year	**21,336**	**18,138**	**30,390**
Cash and cash equivalents, end of year	**$ 29,546**	**$ 21,336**	**$ 18,138**

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

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IMAX CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
In accordance with United States Generally Accepted Accounting Principles
(In thousands of U.S. dollars)

	Common Shares Issued and Outstanding	Capital Stock	Other Equity	Deficit	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance as at December 31, 2010	**64,145,573**	**$ 292,977**	**$ 7,687**	**$(143,763)**	**$ (1,023)**	**$ 155,878**
Net income	—	—	—	15,260	—	15,260
Other comprehensive loss, before tax	—	—	—	—	(1,957)	(1,957)
Income tax recovery related to other comprehensive loss (note 9(h))	—	—	—	—	446	446
Paid-in capital for non-employee stock options granted (note 14(c))	—	—	2,375	—	—	2,375
Employee stock options exercised	763,056	5,173	(731)	—	—	4,442
Non-employee stock options exercised	144,111	5,245	(1,823)	—	—	3,422
Paid-in capital for employee stock options granted (note 14(c))	—	—	9,391	—	—	9,391
Utilization of windfall tax benefits from employee stock options (note 9(f))	—	—	611	—	—	611
Balance as at December 31, 2011	**65,052,740**	**$ 303,395**	**$17,510**	**$(128,503)**	**$ (2,534)**	**$ 189,868**
Net income	—	—	—	41,337	—	41,337
Other comprehensive income, before tax	—	—	—	—	100	100
Income tax recovery related to other comprehensive income (note 9(h))	—	—	—	—	43	43
Paid-in capital for non-employee stock options granted (note 14(c))	—	—	115	—	—	115
Employee stock options exercised	1,414,685	9,946	(1,279)	—	—	8,667
Non-employee stock options exercised	15,000	403	(150)	—	—	253
Paid-in capital for employee stock options granted (note 14(c))	—	—	12,359	—		12,359
Disgorgement of profit	—	—	314	—	—	314
Utilization of windfall tax benefits from employee stock options (note 9(f))	—	—	23	—	—	23
Balance as at December 31, 2012	**66,482,425**	**$ 313,744**	**$28,892**	**$ (87,166)**	**$ (2,391)**	**$ 253,079**
Net income	—	—	—	44,115	—	44,115
Other comprehensive income, before tax	—	—	—	—	1,766	1,766
Income tax expense related to other comprehensive income (note 9(h))	—	—	—	—	(504)	(504)
Paid-in capital for non-employee stock options granted (note 14(c))	—	—	174	—	—	174
Employee stock options exercised	1,291,347	12,044	(3,455)	—	—	8,589
Non-employee stock options exercised	25,000	613	(232)	—	—	381
Paid-in capital for employee stock options granted (note 14(c))	—	—	9,150	—	—	9,150
Paid-in capital for restricted share units granted (note 14(c))	—	—	2,120	—	—	2,120
Restricted share units vested (net of shares withheld for tax) (note 14(c))	42,461	1,114	(1,215)	—	—	(101)
Share issuance expenses	—	(202)	—	—	—	(202)
Utilization of windfall tax benefits from employee stock options (note 9(f))	—	—	1,018	—	—	1,018
Balance as at December 31, 2013	**67,841,233**	**$ 327,313**	**$36,452**	**$ (43,051)**	**$ (1,129)**	**$ 319,585**

(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 together with its consolidated wholly-owned subsidiaries (the "Company") is an entertainment technology company specializing in digital and film-based motion picture technologies, whose principal activities are the:

- design, manufacture, sale and lease of proprietary theater systems for IMAX theaters principally owned and operated by commercial and institutional customers located in 57 countries as at December 31, 2013;
- production, digital re-mastering, post-production and/or distribution of certain films shown throughout the IMAX theater network;
- provision of other services to the IMAX theater network, including ongoing maintenance and extended warranty services for IMAX theater systems;
- operation of certain theaters primarily in the United States; and
- other activities, which includes short-term rental of cameras and aftermarket sales of projector system components.

The Company refers to all theaters using the IMAX theater system as "IMAX theaters."

The Company's revenues from equipment and product sales include the sale and sales-type leasing of its theater systems and sales of their associated parts and accessories, contingent rentals on sales-type leases and contingent additional payments on sales transactions.

The Company's revenues from services include the provision of maintenance and extended warranty services, digital re-mastering services, film production and film post-production services, film distribution, and the operation of certain theaters.

The Company's rentals include revenues from the leasing of its theater systems that are operating leases, contingent rentals on operating leases, joint revenue sharing arrangements and the rental of the Company's cameras and camera equipment.

The Company's finance income represents interest income arising from the sales-type leases and financed sales of the Company's theater systems.

The Company's other revenues include the settlement of contractual obligations with customers.

2. Summary of Significant Accounting Policies

Significant accounting policies are summarized as follows:

The Company prepares its consolidated financial statements in accordance with U.S. GAAP.

(a) Basis of Consolidation

The consolidated financial statements include the accounts of the Company together with its wholly-owned subsidiaries, except for subsidiaries which the Company has identified as variable interest entities ("VIEs") where the Company is not the primary beneficiary.

The Company has evaluated its various variable interests to determine whether they are VIEs as required by the Consolidation Topic of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC" or "Codification"). The Company has 9 film production companies that are VIEs. For 2 of the Company's film production companies, the Company has determined that it is the primary beneficiary of these entities as the Company has the power to direct the activities of the respective VIE that most significantly impact the respective VIE's economic performance and has the obligation to absorb losses of the VIE that could potentially be significant to the respective VIE or the right to receive benefits from the respective VIE that could potentially be significant to the respective VIE. The Company continues to consolidate these entities, with no material impact on the operating results or financial condition of the Company, as these production companies have total assets of $nil (December 31, 2012 — $nil) and total liabilities of $nil as at December 31, 2013 (December 31, 2012 — $nil). For the other 7 film production companies which are VIEs, the Company did not consolidate these film entities since it does not have the power to direct activities and does not absorb the majority of the expected losses or expected residual returns. The Company equity accounts for these entities. As at December 31, 2013, these 7 VIEs have total assets and total liabilities of $5.2 million (December 31, 2012 — $15.9 million). Earnings of the investees included in the Company's consolidated statement of operations amounted to $nil in 2013 (2012 — $nil). The carrying value of these investments in VIEs that are not consolidated is $nil at December 31, 2013 (December 31, 2012 — $nil). A loss in value of an investment other than a temporary decline is recognized as a charge to the consolidated statement of operations. The Company's exposure, which is determined based on the level of funding contributed by the Company and the development stage of the respective film, is $1.5 million at December 31, 2013 (2012 — $0.9 million).

The Company accounts for investments in new business ventures using the guidance of the FASB ASC 323 "Investments – Equity Method and Joint Ventures" ("ASC 323") and ASC 320 "Investments in Debt and Equity Securities" ("ASC 320"), as appropriate. At December 31, 2013, the equity method of accounting is being utilized for an investment with a carrying value of $0.4 million (December 31, 2012 — $3.0 million). In 2013, the Company has contributed $1.4 million, net of its share of costs, to a new business venture. This venture is still in the early-stage of start-up. The Company has determined it is not the primary beneficiary of these VIEs, and therefore these entities have not been consolidated. In addition, the Company has an investment in preferred stock of another business venture of $1.5 million which meets the criteria for classification as a debt security under ASC 320 and is recorded at its fair value of $1.0 million at December 31, 2013 (December 31, 2012 — $1.4 million). This investment is classified as an available-for-sale investment. In 2013, the Company invested $2.5 million in the preferred shares of an enterprise which meet the criteria for classification as an equity security under ASC 325 – "Investments – Others" ("ASC 325") and accrued $0.5 million pertaining to warrants related to the respective investment. The total carrying value of investments in new business ventures at December 31, 2013 and December 31, 2012 is $5.8 million and $4.4 million, respectively, and is recorded in Other Assets.

All significant intercompany accounts and transactions, including all unrealized intercompany profits on transactions with equity-accounted investees, have been eliminated.

In 2013, the Company determined that the functional currency of one of its wholly-owned subsidiaries had changed from the Company's reporting currency to the currency of the nation is which it is domiciled. As a result, in accordance with the FASB ASC 830 "Foreign Currency Matters", the adjustment attributable to the current-rate translation of non-monetary assets as of the date of the change was reported in other comprehensive income.

(b) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could be materially different from these estimates. Significant estimates made by management include, but are not limited to: selling prices associated with the individual elements in multiple element arrangements; residual values of leased theater systems; economic lives of leased assets; allowances for potential uncollectibility of accounts receivable, financing receivables and net investment in leases; provisions for inventory obsolescence; ultimate revenues for film assets; impairment provisions for film assets, long-lived assets and goodwill; depreciable lives of property, plant and equipment; useful lives of intangible assets; pension plan assumptions; accruals for contingencies including tax contingencies; valuation allowances for deferred income tax assets; and, estimates of the fair value of stock-based payment awards.

(c) Cash and Cash Equivalents

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

(d) Accounts Receivable and Financing Receivables

Allowances for doubtful accounts receivable are based on the Company's assessment of the collectibility of specific customer balances, which is based upon a review of the customer's credit worthiness, past collection history and the underlying asset value of the equipment, where applicable. Interest on overdue accounts receivable is recognized as income as the amounts are collected.

For trade accounts receivable that have characteristics of both a contractual maturity of one year or less, and arose from the sale of other goods or services, the Company charges off the balance against the allowance for doubtful accounts when it is known that a provided amount will not be collected.

The Company monitors the performance of the theaters to which it has leased or sold theater systems which are subject to ongoing payments. When facts and circumstances indicate that there is a potential impairment in the net investment in lease or a financing receivable, the Company will evaluate the potential outcome of either renegotiations involving changes in the terms of the receivable or defaults on the existing lease or financed sale agreements. The Company will record a provision if it is considered probable that the Company will be unable to collect all amounts due under the contractual terms of the arrangement or a renegotiated lease amount will cause a reclassification of the sales-type lease to an operating lease.

When the net investment in lease or the financing receivable is impaired, the Company will recognize a provision for the difference between the carrying value in the investment and the present value of expected future cash flows discounted using the effective interest rate for the net investment in the lease or the financing receivable. If the Company expects to recover the theater system, the provision is equal to the excess of the carrying value of the investment over the fair value of the equipment.

When the minimum lease payments are renegotiated and the lease continues to be classified as a sales-type lease, the reduction in payments is applied to reduce unearned finance income.

These provisions are adjusted when there is a significant change in the amount or timing of the expected future cash flows or when actual cash flows differ from cash flow previously expected.

Once a net investment in lease or financing receivable is considered impaired, the Company does not recognize interest income until the collectibility issues are resolved. When finance income is not recognized, any payments received are applied against outstanding gross minimum lease amounts receivable or gross receivables from financed sales. Once the collectability issues are resolved, the Company will once again commence the recognition of interest income.

(e) Inventories

Inventories are carried at the lower of cost, determined on an average cost basis, and net realizable value except for raw materials, which are carried at the lower of cost and replacement cost. Finished goods and work-in-process include the cost of raw materials, direct labor, theater design costs, and an applicable share of manufacturing overhead costs.

The costs related to theater systems under sales and sales-type lease arrangements are relieved from inventory to costs and expenses applicable to revenues-equipment and product sales when revenue recognition criteria are met. The costs related to theater systems under operating lease arrangements and joint revenue sharing arrangements are transferred from inventory to assets under construction in property, plant and equipment when allocated to a signed joint revenue sharing arrangement or when the arrangement is first classified as an operating lease.

The Company records provisions for excess and obsolete inventory based upon current estimates of future events and conditions, including the anticipated installation dates for the current backlog of theater system contracts, technological developments, signings in negotiation, growth prospects within the customers' ultimate marketplace and anticipated market acceptance of the Company's current and pending theater systems.

Finished goods inventories can contain theater systems for which title has passed to the Company's customer (as the theater system has been delivered to the customer) but the revenue recognition criteria as discussed in note 2(m) have not been met.

(f) Film Assets

Costs of producing films, including labor, allocated overhead, capitalized interest, and costs of acquiring film rights are recorded as film assets and accounted for in accordance with Entertainment-Films Topic of the FASB ASC. Production financing provided by third parties that acquire substantive rights in the film is recorded as a reduction of the cost of the production. Film assets are amortized and participation costs are accrued using the individual-film-forecast method in the same ratio that current gross revenues bear to current and anticipated future ultimate revenues. Estimates of ultimate revenues are prepared on a title-by-title basis and reviewed regularly by management and revised where necessary to reflect the most current information. Ultimate revenues for films include estimates of revenue over a period not to exceed ten years following the date of initial release.

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

Costs, including labor and allocated overhead, of digitally re-mastering films where the copyright is owned by a third party and the Company shares in the revenue of the third party are included in film assets. These costs are amortized using the individual-film-forecast method in the same ratio that current gross revenues bear to current and anticipated future ultimate revenues from the re-mastered film.

The recoverability of film assets is dependent upon commercial acceptance of the films. If events or circumstances indicate that the recoverable amount of a film asset is less than the unamortized film costs, the film asset is written down to its fair value. The Company determines the fair value of its film assets using a discounted cash flow model.

(g) Property, Plant and Equipment

Property, plant and equipment are recorded at cost and are depreciated on a straight-line basis over their estimated useful lives as follows:

Theater system components (1)	—	over the equipment's anticipated useful life (7 to 20 years)
Camera equipment	—	5 to 10 years
Buildings	—	20 to 25 years
Office and production equipment	—	3 to 5 years
Leasehold improvements	—	over the shorter of the initial term of the underlying leases plus any reasonably assured renewal terms, and the useful life of the asset

(1) includes equipment under joint revenue sharing arrangements.

Equipment and components allocated to be used in future operating leases and joint revenue sharing arrangements, as well as direct labor costs and an allocation of direct production costs, are included in assets under construction until such equipment is installed and in working condition, at which time the equipment is depreciated on a straight-line basis over the lesser of the term of the joint revenue sharing arrangement and the equipment's anticipated useful life.

The Company reviews the carrying values of its property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group might not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent when testing for, and measuring for, impairment. In performing its review of recoverability, the Company estimates the future cash flows expected to result from the use of the asset or asset group and its eventual disposition. If the sum of the expected undiscounted future cash flows is less than the carrying amount of the asset or asset group, an impairment loss is recognized in the consolidated statements of operations. Measurement of the impairment loss is based on the excess of the carrying amount of the asset or asset group over the fair value calculated using discounted expected future cash flows.

A liability for the fair value of an asset retirement obligation associated with the retirement of tangible long-lived assets and the associated asset retirement costs are recognized in the period in which the liability and costs are incurred if a reasonable estimate of fair value can be made using a discounted cash flow model. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and subsequently amortized over the asset's useful life. The liability is accreted over the period to expected cash outflows.

(h) Other Assets

Other assets include insurance recoverable, deferred charges on debt financing, deferred selling costs that are direct and incremental to the acquisition of sales contracts, foreign currency derivatives, lease incentives and investments in new business ventures.

Costs of debt financing are deferred and amortized over the term of the debt using the effective interest method.

Selling costs related to an arrangement incurred prior to recognition of the related revenue are deferred and expensed to costs and expenses applicable to revenues upon: (i) recognition of the contract's theater system revenue; or (ii) abandonment of the sale arrangement.

Foreign currency derivatives are accounted for at fair value using quoted prices in closed exchanges (Level 2 input in accordance with the Fair Value Measurements Topic of the FASB ASC hierarchy).

The Company may provide lease incentives to certain exhibitors which are essential to entering into the respective lease arrangement. Lease incentives include payments made to or on behalf of the exhibitor. These lease incentives are recognized as a reduction in rental revenue on a straight-line basis over the term of the lease.

Investments in new business ventures are accounted for using ASC 323 as described in note 2(a). The Company currently accounts for its 10.1% investment in 3net, a 3D television channel operated by a limited liability corporation owned by the Company and its joint venture investment with TCL Multimedia Technology Holdings Limited, using the equity method of accounting. The Company accounts for in-kind contributions to its equity investment in accordance with ASC 845 "Non-Monetary Transactions" ("ASC 845") whereby if the fair value of the asset or assets contributed is greater than the carrying value a partial gain shall be recognized.

The Company's investment in debt securities is classified as an available-for-sale investment in accordance with ASC 320. Unrealized holding gains and losses for this investment is excluded from earnings and reported in other comprehensive income until realized. Realization occurs upon sale of a portion of or the entire investment. The investment is impaired if the fair value is less than cost, which is assessed in each reporting period. When the Company intends to sell a specifically identified beneficial interest, a write-down for other-than-temporary impairment shall be recognized in earnings.

The Company's investment in preferred shares, which meets the criteria for classification as an equity security in accordance with ASC 325, is accounted for at cost. The Company records the related warrants at fair value upon recognition date. Warrants are recognized over the term of the agreement.

(i) Goodwill

Goodwill represents the excess of purchase price over the fair value of net identifiable assets acquired in a purchase business combination. Goodwill is not subject to amortization and is tested for impairment annually, or more frequently if events or circumstances indicate that the asset might be impaired. The Company performs a qualitative assessment of its reporting units and certain select quantitative calculations against its current long-range plan to determine whether it is more likely than not (that is, a likelihood of more than 50 percent) that the fair value of a reporting unit is less than its carrying amount (Step 0). The Company first assesses certain qualitative factors to determine whether the existence of events or circumstances leads to determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, the Company determines it is not more likely than not that the fair value of a reporting unit is less than its carry amount, then performing the two-step impairment test is unnecessary. When necessary, impairment of goodwill is tested at the reporting unit level by comparing the reporting unit's carrying amount, including goodwill, to the fair value of the reporting unit. The fair value of the reporting unit is estimated using a discounted cash flow approach. If the carrying amount of the reporting unit exceeds its fair value, then a second step is performed to measure the amount of impairment loss, if any, by comparing the fair value of each identifiable asset and liability in the reporting unit to the total fair value of the reporting unit. Any impairment loss is expensed in the consolidated statement of operations and is not reversed if the fair value subsequently increases.

(j) Other Intangible Assets

Patents, trademarks and other intangibles are recorded at cost and are amortized on a straight-line basis over estimated useful lives ranging from 4 to 10 years except, for intangible assets that have an identifiable pattern of consumption of the economic benefit of the asset, which are amortized over the consumption pattern.

The Company reviews the carrying values of its other intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group might not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent when testing for, and measuring for, impairment. In performing its review for recoverability, the Company estimates the future cash flows expected to result from the use of the asset or asset group and its eventual disposition. If the sum of the expected undiscounted future cash flows is less than the carrying amount of the asset or asset group, an impairment loss is recognized in the consolidated statement of operations. Measurement of the impairment loss is based on the excess of the carrying amount of the asset or asset group over the fair value calculated using discounted expected future cash flows.

(k) Deferred Revenue

Deferred revenue represents cash received prior to revenue recognition criteria being met for theater system sales or leases, film contracts, maintenance and extended warranty services, film related services and film distribution.

(l) Income Taxes

Income taxes are accounted for under the liability method whereby deferred income tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the accounting and tax bases of assets and liabilities. Deferred income tax assets and liabilities are measured using enacted 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 income tax assets and liabilities of a change in tax rates or laws is recognized in the consolidated statement of operations in the period in which the change is enacted. Investment tax credits are recognized as a reduction of income tax expense.

The Company assesses realization of deferred income tax assets and, based on all available evidence, concludes whether it is more likely than not that the net deferred income tax assets will be realized. A valuation allowance is provided for the amount of deferred income tax assets not considered to be realizable.

The Company is subject to ongoing tax exposures, examinations and assessments in various jurisdictions. Accordingly, the Company may incur additional tax expense based upon the outcomes of such matters. In addition, when applicable, the Company adjusts tax expense to reflect the Company’s ongoing assessments of such matters which require judgment and can materially increase or decrease its effective rate as well as impact operating results. The Company provides for such exposures in accordance with the Income Taxes Topic of the FASB ASC.

(m) Revenue Recognition

Multiple Element Arrangements

The Company’s revenue arrangements with certain customers may involve multiple elements consisting of a theater system (projector, sound system, screen system and, if applicable, 3D glasses cleaning machine); services associated with the theater system including theater design support, supervision of installation, and projectionist training; a license to use of the IMAX brand; 3D glasses; maintenance and extended warranty services; and licensing of films. The Company evaluates all elements in an arrangement to determine what are considered deliverables for accounting purposes and which of the deliverables represent separate units of accounting based on the applicable accounting guidance in the Leases Topic of the FASB ASC; the Guarantees Topic of the FASB ASC; the Entertainment – Films Topic of FASB ASC; and the Revenue Recognition Topic of the FASB. If separate units of accounting are either required under the relevant accounting standards or determined to be applicable under the Revenue Recognition Topic, the total consideration received or receivable in the arrangement is allocated based on the applicable guidance in the above noted standards.

Theater Systems

The Company has identified the projection system, sound system, screen system and, if applicable, 3D glasses cleaning machine, theater design support, supervision of installation, projectionist training and the use of the IMAX brand to be a single deliverable and a single unit of accounting (the "System Deliverable"). When an arrangement does not include all the elements of a System Deliverable, the elements of the System Deliverable included in the arrangement are considered by the Company to be a single deliverable and a single unit of accounting. The Company is not responsible for the physical installation of the equipment in the customer's facility; however, the Company supervises the installation by the customer. The customer has the right to use the IMAX brand from the date the Company and the customer enter into an arrangement.

The Company's System Deliverable arrangements involve either a lease or a sale of the theater system. Consideration for the System Deliverable, other than for those delivered pursuant to joint revenue sharing arrangements, consist of upfront or initial payments made before and after the final installation of the theater system equipment and ongoing payments throughout the term of the lease or over a period of time, as specified in the arrangement. The ongoing payments are the greater of an annual fixed minimum amount or a certain percentage of the theater box-office. Amounts received in excess of the annual fixed minimum amounts are considered contingent payments. The Company's arrangements are non-cancellable, unless the Company fails to perform its obligations. In the absence of a material default by the Company, there is no right to any remedy for the customer under the Company's arrangements. If a material default by the Company exists, the customer has the right to terminate the arrangement and seek a refund only if the customer provides notice to the Company of a material default and only if the Company does not cure the default within a specified period.

For arrangements entered into or materially modified after January 1, 2011, consideration is allocated to each unit of accounting based on the unit's relative selling prices. The Company uses vender-specific objective evidence of selling price (VSOE) when the Company sells the deliverable separately and is the price actually charged by the Company for that deliverable. VSOE is established for the Company's System Deliverable, maintenance and extended warranty services and film license arrangements. The Company uses a best estimate of selling price (BESP) for units of accounting that do not have VSOE or third party evidence of selling price. The Company determines BESP for a deliverable by considering multiple factors including the Company's historical pricing practices, product class, market competition and geography.

Sales Arrangements

For arrangements qualifying as sales, the revenue allocated to the System Deliverable is recognized in accordance with the Revenue Recognition Topic of the FASB ASC, when all of the following conditions have been met: (i) the projector, sound system and screen system have been installed and are in full working condition, (ii) the 3D glasses cleaning machine, if applicable, has been delivered, (iii) projectionist training has been completed and (iv) the earlier of (a) receipt of written customer acceptance certifying the completion of installation and run-in testing of the equipment and the completion of projectionist training or (b) public opening of the theater, provided there is persuasive evidence of an arrangement, the price is fixed or determinable and collectibility is reasonably assured.

The initial revenue recognized consists of the initial payments received and the present value of any future initial payments and fixed minimum ongoing payments that have been attributed to this unit of accounting. Contingent payments in excess of the fixed minimum ongoing payments are recognized when reported by theater operators, provided collectibility is reasonably assured.

The Company has also agreed, on occasion, to sell equipment under lease or at the end of a lease term. Consideration agreed to for these lease buyouts is included in revenues from equipment and product sales, when persuasive evidence of an arrangement exists, the fees are fixed or determinable, collectibility is reasonably assured and title to the theater system passes from the Company to the customer.

Lease Arrangements

The Company uses the Leases Topic of FASB ASC to evaluate whether an arrangement is a lease within the scope of the accounting standard. Arrangements not within the scope of the accounting standard are accounted for either as a sales or services arrangement, as applicable.

For lease arrangements, the Company determines the classification of the lease in accordance with the Lease Topic of FASB ASC. A lease arrangement that transfers substantially all of the benefits and risks incident to ownership of the equipment is classified as a sales-type lease based on the criteria established by the accounting standard; otherwise the lease is classified as an operating lease. Prior to commencement of the lease term for the equipment, the Company may modify certain payment terms or make concessions. If these circumstances occur, the Company reassesses the classification of the lease based on the modified terms and conditions.

For sales-type leases, the revenue allocated to the System Deliverable is recognized when the lease term commences, which the Company deems to be when all of the following conditions have been met: (i) the projector, sound system and screen system have been installed and are in full working condition; (ii) the 3D glasses cleaning machine, if applicable, has been delivered; (iii) projectionist training has been completed; and (iv) the earlier of (a) receipt of the written customer acceptance certifying the completion of installation and run-in testing of the equipment and the completion of projectionist training or (b) public opening of the theater, provided collectibility is reasonably assured.

The initial revenue recognized for sales-type leases consists of the initial payments received and the present value of future initial payments and fixed minimum ongoing payments computed at the interest rate implicit in the lease. Contingent payments in excess of the fixed minimum payments are recognized when reported by theater operators, provided collectibility is reasonably assured.

For operating leases, initial payments and fixed minimum ongoing payments are recognized as revenue on a straight-line basis over the lease term. For operating leases, the lease term is considered to commence when all of the following conditions have been met: (i) the projector, sound system and screen system have been installed and in full working condition; (ii) the 3D glasses cleaning machine, if applicable, has been delivered; (iii) projectionist training has been completed; and (iv) the earlier of (a) receipt of written customer acceptance certifying the completion of installation and run-in testing of the equipment and the completion of projectionist training or (b) public opening of the theater. Contingent payments in excess of fixed minimum ongoing payments are recognized as revenue when reported by theater operators, provided collectibility is reasonably assured.

Revenues from joint revenue sharing arrangements with upfront payments that qualify for classification as sales and sales-type leases are recognized in accordance with the sales and sales-type lease criteria discussed above. Contingent revenues from joint revenue sharing arrangements are recognized as box-office results and concessions revenues are reported by the theater operator, provided collectibility is reasonably assured.

Finance Income

Finance income is recognized over the term of the sales-type lease or financed sales receivable, provided collectibility is reasonably assured. Finance income recognition ceases when the Company determines that the associated receivable is not collectible.

Finance income is suspended when the Company identifies a theater that is delinquent, non-responsive or not negotiating in good faith with the Company. Once the collectability issues are resolved the Company will resume recognition of finance income.

Improvements and Modifications

Improvements and modifications to the theater system after installation are treated as separate revenue transactions, if and when the Company is requested to perform these services. Revenue is recognized for these services when the performance of the services has been completed, provided there is persuasive evidence of an arrangement, the fee is fixed or determinable and collectibility is reasonably assured.

Cost of Equipment and Product Sales

Theater systems and other equipment subject to sales-type leases and sales arrangements includes the cost of the equipment and costs related to project management, design, delivery and installation supervision services as applicable. The costs related to theater systems under sales and sales-type lease arrangements are relieved from inventory to costs and expenses applicable to revenues-equipment and product sales when revenue recognition criteria are met. In addition, the Company defers direct selling costs such as sales commissions and other amounts related to these contracts until the related revenue is recognized. These costs included in costs and expenses applicable to revenues-equipment and product sales, totaled $2.5 million in 2013 (2012 – $2.7 million, 2011 – $2.4 million). The cost of equipment and product sales prior to direct selling costs was $35.0 million in 2013 (2012 – $34.8 million, 2011 – $36.3 million). The Company may have warranty obligations at or after the time revenue is recognized which require replacement of certain parts that do not affect the functionality of the theater system or services. The costs for warranty obligations for known issues are accrued as charges to costs and expenses applicable to revenues-equipment and product sales at the time revenue is recognized based on the Company’s past historical experience and cost estimates.

Cost of Rentals

For theater systems and other equipment subject to an operating lease or placed in a theater operators' venue under a joint revenue sharing arrangement, the cost of equipment and those costs that result directly from and are essential to the arrangement, is included within property, plant and equipment. Depreciation and impairment losses, if any, are included in cost of rentals based on the accounting policy set out in note 2(g). Commissions are recognized as costs and expenses applicable to revenues-rentals in the month they are earned, which is typically the month of installation. These costs totaled $1.9 million in 2013 (2012 — $1.5 million, 2011 — $2.3 million). Direct advertising and marketing costs for each theater are charged to costs and expenses applicable to revenues-rentals as incurred. These costs totaled $1.7 million in 2013 (2012 — $1.9 million, 2011 — $3.2 million).

Terminations, Consensual Buyouts and Concessions

The Company enters into theater system arrangements with customers that contain customer payment obligations prior to the scheduled installation of the theater system. During the period of time between signing and the installation of the theater system, which may extend several years, certain customers may be unable to, or may elect not to, proceed with the theater system installation for a number of reasons including business considerations, or the inability to obtain certain consents, approvals or financing. Once the determination is made that the customer will not proceed with installation, the arrangement may be terminated under the default provisions of the arrangement or by mutual agreement between the Company and the customer (a "consensual buyout"). Terminations by default are situations when a customer does not meet the payment obligations under an arrangement and the Company retains the amounts paid by the customer. Under a consensual buyout, the Company and the customer agree, in writing, to a settlement and to release each other of any further obligations under the arrangement or an arbitrated settlement is reached. Any initial payments retained or additional payments received by the Company are recognized as revenue when the settlement arrangements are executed and the cash is received, respectively. These termination and consensual buyout amounts are recognized in Other revenues.

In addition, the Company could agree with customers to convert their obligations for other theater system configurations that have not yet been installed to arrangements to acquire or lease the IMAX digital theater system. The Company considers these situations to be a termination of the previous arrangement and origination of a new arrangement for the IMAX digital theater system. For all arrangements entered into or modified prior to the date of adoption of the amended FASB ASC 605-25, the Company continues to defer an amount of any initial fees received from the customer such that the aggregate of the fees deferred and the net present value of the future fixed initial and ongoing payments to be received from the customer equals the selling price of the IMAX digital theater system to be leased or acquired by the customer. Any residual portion of the initial fees received from the customer for the terminated theater system is recorded in other revenues at the time when the obligation for the original theater system is terminated and the new theater system arrangement is signed. Under the amended FASB ASC 605-25, for all arrangements entered into or materially modified after the date of adoption, the total arrangement consideration to be received is allocated on a relative selling price basis to the digital upgrade and the termination of the previous theater system. The arrangement consideration allocated to the termination of the existing arrangement is recorded in Other revenues at the time when the obligation for the original theater system is terminated and the new theater system arrangement is signed.

The Company may offer certain incentives to customers to complete theater system transactions including payment concessions or free services and products such as film licenses or 3D glasses. Reductions in, and deferral of, payments are taken into account in determining the sales price either by a direct reduction in the sales price or a reduction of payments to be discounted in accordance with the Leases or Interests Topic of the FASB ASC. Free products and services are accounted for as separate units of accounting. Other consideration given by the Company to customers are accounted for in accordance with the Revenue Recognition Topic of the FASB ASC.

Maintenance and Extended Warranty Services

Maintenance and extended warranty services may be provided under a multiple element arrangement or as a separately priced contract. Revenues related to these services are deferred and recognized on a straight-line basis over the contract period and are recognized in Services revenues. Maintenance and extended warranty services includes maintenance of the customer's equipment and replacement parts. Under certain maintenance arrangements, maintenance services may include additional training services to the customer's technicians. All costs associated with this maintenance and extended warranty program are expensed as incurred. A loss on maintenance and extended warranty services is recognized if the expected cost of providing the services under the contracts exceeds the related deferred revenue.

Film Production and IMAX DMR Services

In certain film arrangements, the Company produces a film financed by third parties whereby the third party retains the copyright and the Company obtains exclusive distribution rights. Under these arrangements, the Company is entitled to receive a fixed fee or to retain as a fee the excess of funding over cost of production (the "production fee"). The third parties receive a portion of the revenues received by the Company from distributing the film, which is charged to costs and expenses applicable to revenues-services. The production fees are deferred, and recognized as a reduction in the cost of the film based on the ratio of the Company's distribution revenues recognized in the current period to the ultimate distribution revenues expected from the film. Film exploitation costs, including advertising and marketing totaled $4.2 million in 2013 (2012 — $3.3 million, 2011 — $3.8 million) and are recorded in costs and expenses applicable to revenues-services as incurred.

Revenue from film production services where the Company does not hold the associated distribution rights are recognized in Services revenues when performance of the contractual service is complete, provided there is persuasive evidence of an agreement, the fee is fixed or determinable and collectibility is reasonably assured.

Revenues from digitally re-mastering (IMAX DMR) films where third parties own or hold the copyrights and the rights to distribute the film are derived in the form of processing fees and recoupments calculated as a percentage of box-office receipts generated from the re-mastered films. Processing fees are recognized as Services revenues when the performance of the related re-mastering service is completed provided there is persuasive evidence of an arrangement, the fee is fixed or determinable and collectibility is reasonably assured. Recoupments, calculated as a percentage of box-office receipts, are recognized as Services revenue when box-office receipts are reported by the third party that owns or holds the related film rights, provided collectibility is reasonably assured.

Losses on film production and IMAX DMR services are recognized as costs and expenses applicable to revenues-services in the period when it is determined that the Company's estimate of total revenues to be realized by the Company will not exceed estimated total production costs to be expended on the film production and the cost of IMAX DMR services.

Film Distribution

Revenue from the licensing of films is recognized in Services revenues when persuasive evidence of a licensing arrangement exists, the film has been completed and delivered, the license period has begun, the fee is fixed or determinable and collectibility is reasonably assured. When license fees are based on a percentage of box-office receipts, revenue is recognized when box-office receipts are reported by exhibitors, provided collectibility is reasonably assured. Film exploitation costs, including advertising and marketing, totaled $0.4 million in 2013 (2012 — $1.5 million, 2011 — $1.9 million) and are recorded in costs and expenses applicable to revenues-services as incurred.

Film Post-Production Services

Revenues from post-production film services are recognized in Services revenues when performance of the contracted services is complete provided there is persuasive evidence of an arrangement, the fee is fixed or determinable and collectibility is reasonably assured.

Other

The Company recognizes revenue in Services revenues from its owned and operated theaters resulting from box-office ticket and concession sales as tickets are sold, films are shown and upon the sale of various concessions. The sales are cash or credit card transactions with theatergoers based on fixed prices per seat or per concession item.

In addition, the Company enters into commercial arrangements with third party theater owners resulting in the sharing of profits and losses which are recognized in Services revenues when reported by such theaters. The Company also provides management services to certain theaters and recognizes revenue over the term of such services.

Revenues on camera rentals are recognized in Rental revenues over the rental period.

Revenue from the sale of 3D glasses is recognized in Equipment and product sales revenue when the 3D glasses have been delivered to the customer.

Other service revenues are recognized in Service revenues when the performance of contracted services is complete.

(n) Research and Development

Research and development costs are expensed as incurred and primarily include projector and sound parts, labor, consulting fees, allocation of overheads and other related materials which pertain to the Company's development of ongoing product and services. Research and development costs pertaining to fixed and intangible assets that have alternative future uses are capitalized and amortized under their related policies.

(o) 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. In 2013, the Company determined that the functional currency of one of its wholly-owned subsidiaries had changed from the Company's reporting currency to the currency of the nation in which it is domiciled. As a result, in accordance with the FASB ASC 830 "Foreign Currency Matters", the adjustment attributable to current-rate translation of non-monetary assets as of the date of the change was reported in other comprehensive income ("OCI"). The functional currency of its other wholly-owned subsidiaries continues to be the United States dollar. Such exchange gains and losses are included in the determination of earnings in the period in which they arise.

Foreign currency derivatives are recognized and measured in the balance sheet at fair value. Changes in the fair value (gains or losses) are recognized in the consolidated statement of operations except for derivatives designated and qualifying as foreign currency hedging instruments. For foreign currency hedging instruments, the effective portion of the gain or loss in a hedge of a forecasted transaction is reported in other comprehensive income and reclassified to the consolidated statement of operations when the forecasted transaction occurs. Any ineffective portion is recognized immediately in the consolidated statement of operations.

(p) Stock-Based Compensation

The Company's stock-based compensation generally includes stock options, restricted share units ("RSUs") and stock appreciation rights ("SARs"). Stock-based compensation is recognized in accordance with the FASB ASC Topic 505, "Equity" and Topic 718, "Compensation-Stock Compensation."

The Company estimates the fair value of stock option and SAR awards on the date of grant using fair value measurement techniques such as an option-pricing model. The fair value of RSU awards is equal to the closing price of the Company's common stock on the date of grant. The value of the portion of the employee award that is ultimately expected to vest is recognized as expense over the requisite service periods in the Company's consolidated statement of operations.

The Company utilizes a lattice-binomial option-pricing model ("Binomial Model") to determine the fair value of stock option and SAR awards. The fair value determined by the Binomial Model is affected by the Company's stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to, the Company's expected stock price volatility over the term of the awards, and actual and projected employee stock option exercise behaviors. The Binomial Model also considers the expected exercise multiple which is the multiple of exercise price to grant price at which exercises are expected to occur on average. Option-pricing models were developed for use in estimating the value of traded options that have no vesting or hedging restrictions and are fully transferable. Because the Company's employee stock options have certain characteristics that are significantly different from traded options, and because changes in the subjective assumptions can materially affect the estimated value, in management's opinion, the Binomial Model best provides a fair measure of the fair value of the Company's employee stock options. See note 14(c) for the assumptions used to determine the fair value of stock-based payment awards.

Stock-based compensation expense includes compensation cost for employee stock-based payment awards granted and all modified, repurchased or cancelled employee awards. In addition, compensation expense includes the compensation cost, based on the grant-date fair value calculated for pro forma disclosures under ASC 718-10-55, for the portion of awards for which required service had not been rendered that were outstanding. Compensation expense for these employee awards is recognized using the straight-line single-option method. As stock-based compensation expense recognized is based on awards ultimately expected to vest, it has been adjusted for estimated forfeitures. The Codification requires forfeitures to be estimated at the time of grant and revised, if subsequent information indicates that the actual forfeitures are likely to be different from previous estimates. The Company utilizes the market yield on U.S. treasury securities (also known as nominal rate) over the contractual term of the instrument being issued.

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Stock Options

As the Company stratifies its employees into homogeneous groups in order to calculate fair value under the Binomial Model, ranges of assumptions used are presented for expected option life and annual termination probability. The Company uses historical data to estimate option exercise and employee termination within the valuation model; various groups of employees that have similar historical exercise behavior are considered separately for valuation purposes. The expected volatility rate is estimated based on a blended volatility method which takes into consideration the Company's historical share price volatility, the Company's implied volatility which is implied by the observed current market prices of the Company's traded options and the Company's peer group volatility. The Company utilizes an expected term method to determine expected option life based on such data as vesting periods of awards, historical data that includes past exercise and post-vesting cancellations and stock price history.

The Company's policy is to issue new shares from treasury to satisfy stock options which are exercised.

Restricted Share Units

The Company's RSUs have been classified as equity in accordance with Topic 505. The fair value of RSU awards is equal to the closing price of the Company's common stock on the date of grant.

Stock Appreciation Rights

The Company's SARs have been classified as liabilities in accordance with Topic 505. The Company utilizes the Binomial Model to determine the value of these instruments settleable in cash.

Awards to Non-Employees

Stock-based awards for services provided by non-employees are accounted for based on the fair value of the services received or the stock-based award, whichever is more reliably determinable. If the fair value of the stock-based award is used, the fair value is measured at the date of the award and remeasured until the earlier of the date that the Company has a performance commitment from the non-employees, the date performance is completed, or the date the awards vest.

(q) Pension Plans and Postretirement Benefits

The Company has a defined benefit pension plan, the Supplemental Executive Retirement Plan (the "SERP"). As the Company's SERP is unfunded, as at December 31, 2013, a liability is recognized for the projected benefit obligation.

Assumptions used in computing the defined benefit obligations are reviewed annually by management in consultation with its actuaries and adjusted for current conditions. Actuarial gains or losses and prior service costs or credits that arise during the period but are not recognized as components of net periodic benefits cost are recognized as a component of other comprehensive income. Amounts recognized in accumulated other comprehensive income including unrecognized actuarial gains or losses and prior service costs are adjusted as they are subsequently recognized in the consolidated statement of operations as components of net periodic benefit cost. Prior service costs resulting from the pension plan inception or amendments are amortized over the expected future service life of the employees, cumulative actuarial gains and losses in excess of 10% of the projected benefit obligation are amortized over the expected average remaining service life of the employees, and current service costs are expensed when earned. The remaining weighted average future service life of the employee used in computing the defined benefit obligation for the year ended December 31, 2013 was 3.0 years.

For defined contribution pension plans, required contributions by the Company are recorded as an expense.

A liability is recognized for the unfunded accumulated benefit obligation of the postretirement benefits plan. Assumptions used in computing the accumulated benefit obligation are reviewed by management in consultation with its actuaries and adjusted for current conditions. Current service cost is recognized as incurred and actuarial gains and losses are recognized as a component of other comprehensive income (loss). Amounts recognized in accumulated other comprehensive income (loss) including unrecognized actuarial gains or losses are adjusted as they are subsequently recognized in the consolidated statement of operations as components of net periodic benefit cost.

(r) Guarantees

The FASB ASC Guarantees Topic requires a guarantor to recognize, at the inception of a guarantee, a liability for the fair value of certain guarantees. Disclosures as required under the accounting guidance have been included in note 13(i).

3. New Accounting Standards and Accounting Changes

Adoption of New Accounting Policies

In January 2013, the FASB issued ASU No. 2013-01, "Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities" ("ASU 2013-01"). The purpose of the amendment is to address implementation issues about the scope of FASB issued ASU No. 2011-11 "Balance Sheet (Topic 210) - Disclosures about Offsetting Assets and Liabilities" "(ASU 2011-11"). ASU 2011-11 and ASU 2013-01 were issued in an effort to provide greater comparability within disclosures between entities reporting in U.S. GAAP and International Financial Reporting Standards ("IFRS") that have offsetting (netting) assets and liabilities. Entities will be required to disclose both gross and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. An entity is required to apply the amendments in ASU 2013-01 for annual reporting periods beginning on or after January 1, 2013 and interim periods within those annual periods. It is to be applied retrospectively for all comparative periods presented. The Company adopted the amended standard on January 1, 2013. The adoption of the amended standard did not have a material impact on the Company's consolidated financial statements.

In February 2013, the FASB issued ASU No. 2013-02, "Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income" ("ASU 2013-02"). The amendments in ASU 2013-02 require an entity to report the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in net income if the amount being reclassified is required under U.S. GAAP to be reclassified in its entirety to net income. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income in the same reporting period, an entity is required to cross-reference other disclosures required under U.S. GAAP that provide additional detail about those amounts. For public entities, the amendments are effective prospectively for reporting periods beginning after December 15, 2012. The Company adopted the amended standard on January 1, 2013. The adoption of the amended standard did not have a material impact on the Company's consolidated financial statements.

In July 2013, the FASB issued ASU No. 2013-10, "Derivative and Hedging (Topic 815): Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes (a consensus of the FASB Emerging Issues Task Force)" ("ASU 2013-10"). The amendments in ASU 2013-10 are to permit the use of the Fed Funds Effective Swap Rate (OIS) as a U.S. benchmark interest rate for hedge accounting purposes, in addition to U.S. government (UST) and London Interbank Offered Rate (LIBOR). The amendment also removes the restriction of using different benchmark rates for similar hedges. For public entities, the amendments are effective prospectively for qualifying new or redesignated hedging relationships entered into on or after July 17, 2013. The Company adopted the amended standard on July 17, 2013. The adoption of the amended standard did not have a material impact on the Company's consolidated financial statements.

Recently Issued FASB Accounting Standard Codification Updates

In February 2013, the FASB issued ASU No. 2013-04, "Liabilities (Topic 405): Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date" ("ASU 2013-04"). The purpose of ASU 2013-04 is to provide guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this guidance is fixed at the reporting date, except for obligations addressed within existing guidance in U.S. GAAP. ASU 2013-04 requires an entity to measure obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this guidance is fixed at the reporting date, as the sum of the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and any additional amount the reporting entity expects to pay on behalf of its co-obligors, as well as the nature and amount of the obligation as well as other information about those obligations. For public entities, the amendments are effective for fiscal years and interim reporting periods beginning after December 15, 2013. Early adoption by public entities is permitted. The Company adopted the amended standard on January 1, 2014. The adoption of the amended standard is not expected to have a material impact on the Company's condensed consolidated financial statements for the period ending March 31, 2014.

In March 2013, the FASB issued ASU No. 2013-05, "Foreign Currency Matters (Topic 830): Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain subsidiaries or Groups of Assets within a Foreign Entity or of an

Investment in a Foreign Entity" ("ASU 2013-05"). The purpose of ASU 2013-05 is to resolve the diversity in practice in relation to the treatment of the release of cumulative translation adjustments ("CTA") upon sale (in full or part) of a foreign investment. It applies to the release of the CTA into net income when a parent either sells a part of all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business within a foreign entity. For public entities, the amendments are effective for fiscal years and interim reporting periods beginning after December 15, 2013. Early adoption by public entities is permitted. The Company adopted the amended standard on January 1, 2014. The adoption of the amended standard is not expected to have a material impact on the Company's condensed consolidated financial statements for the period ending March 31, 2014.

In April 2013, the FASB issued ASU No. 2013-07, "Presentation of Financial Statements (Topic 205): Liquidation Basis of Accounting" ("ASU 2013-07"). The amendments of ASU 2013-07 require an entity to prepare its financial statements using the liquidation basis of accounting when liquidation is imminent and to present relevant information about an entity's expected resources in liquidation by measuring and presenting assets at the amount of the expected cash proceeds from liquidation. The amendments are effective for entities that determine liquidation is imminent during annual reporting periods beginning after December 15, 2013 and interim periods therein. Standards should be applied prospectively from the day liquidation becomes imminent. Early adoption is permitted. The Company adopted the amended standard on January 1, 2014. The adoption of the amended standard is not expected to have a material impact on the Company's condensed consolidated financial statements for the period ending March 31, 2014.

In July 2013, the FASB issued ASU No. 2013-11, "Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists (a consensus of the FASB Emerging Issues Task Force)" ("ASU 2013-11"). The amendments of ASU 2013-11 provide entities with guidance of how to present a provision for uncertain tax positions in the financial statements when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. For public entities, the amendments are effective for fiscal years and interim reporting periods beginning after December 15, 2013. The Company adopted the amended standard on January 1, 2014. The adoption of the amended standard is not expected to have a material impact on the Company's condensed consolidated financial statements for the period ending March 31, 2014.

In December 2013, the FASB issued ASU No. 2013-12, "Definition of a Public Business Entity" ("ASU 2013-12"). The amendments of ASU 2013-12 provide entities with a single definition of a Public Business Entity for use in future financial accounting and reporting guidance in 2014 and onwards. The Company adopted the amended standard on January 1, 2014. The adoption of the amended standard is not expected to have a material impact on the Company's condensed consolidated financial statements for the period ending March 31, 2014.

4. Lease Arrangements

(a) General Terms of Lease Arrangements

A number of the Company’s leases are classified as sales-type leases. Certain arrangements that are legal sales are also classified as sales-type leases as certain clauses within the arrangements limit transfer of title or provide the Company with conditional rights to the system. The customer’s rights under the Company’s lease arrangements are described in note 2(m). The Company classifies its lease arrangements at inception of the arrangement and, if required, after a modification of the lease arrangement, to determine whether they are sales-type leases or operating leases. Under the Company’s lease arrangements, the customer has the ability and the right to operate the hardware components or direct others to operate them in a manner determined by the customer. The Company’s lease portfolio terms are typically non-cancellable for 10 to 20 years with renewal provisions from inception. Except for those sales arrangements that are classified as sales-type leases, the Company’s leases generally do not contain an automatic transfer of title at the end of the lease term. The Company’s lease arrangements do not contain a guarantee of residual value at the end of the lease term. The customer is required to pay for executory costs such as insurance and taxes and is required to pay the Company for maintenance and extended warranty generally after the first year of the lease until the end of the lease term. The customer is responsible for obtaining insurance coverage for the theater systems commencing on the date specified in the arrangement’s shipping terms and ending on the date the theater systems are delivered back to the Company.

The Company has assessed the nature of its joint revenue sharing arrangements and concluded that, based on the guidance in the Revenue Recognition Topic of the ASC, the arrangements contain a lease. Under joint revenue sharing arrangements, the customer has the ability and the right to operate the hardware components or direct others to operate them in a manner determined by the customer. The Company’s joint revenue sharing arrangements are typically non-cancellable for 10 to 13 years with renewal provisions. Title to equipment under joint revenue sharing arrangements does not transfer to the customer. The Company’s joint revenue sharing arrangements do not contain a guarantee of residual value at the end of the term. The customer is required to pay for executory costs such as insurance and taxes and is required to pay the Company for maintenance and extended warranty throughout the term. The customer is responsible for obtaining insurance coverage for the theater systems commencing on the date specified in the arrangement’s shipping terms and ending on the date the theater systems are delivered back to the Company.

(b) Financing Receivables

Financing receivables, consisting of net investment in sales-type leases and receivables from financed sales of theater systems are as follows:

	As at December 31,	
	2013	2012
Gross minimum lease payments receivable	$ 17,475	$ 18,880
Unearned finance income	(3,052)	(4,705)
Minimum lease payments receivable	14,423	14,175
Accumulated allowance for uncollectible amounts	(806)	(1,130)
Net investment in leases	13,617	13,045
Gross financed sales receivables	129,398	114,492
Unearned finance income	(35,669)	(33,278)
Financed sales receivables	93,729	81,214
Accumulated allowance for uncollectible amounts	(236)	(66)
Net financed sales receivables	93,493	81,148
Total financing receivables	$107,110	$ 94,193
Net financed sales receivables due within one year	$ 17,335	$ 10,482
Net financed sales receivables due after one year	$ 76,158	$ 70,666

In 2013, the financed sales receivables had a weighted average effective interest rate of 9.8% (2012 — 8.7%).

(c) Contingent Fees

Contingent fees that meet the Company’s revenue recognition policy, from customers under various arrangements, have been reported in revenue as follows:

	Years Ended December 31,		
	2013	2012	2011
Sales	$ 2,493	$ 1,797	$ 976
Sales-type leases	184	308	517
Operating leases	1,009	930	1,232
Subtotal - sales, sales-type leases and operating leases	3,686	3,035	2,725
Joint revenue sharing arrangements	64,130	57,526	30,764
	$67,816	$60,561	$33,489

(d) Future Minimum Rental Payments

Future minimum rental payments receivable from operating and sales-type leases at December 31, 2013, for each of the next five years are as follows:

	Operating Leases	Sales-Type Leases
2014	$ 2,075	$ 3,000
2015	1,637	2,215
2016	1,180	2,011
2017	1,121	1,700
2018	1,442	1,600
Thereafter	4,560	5,448
Total	$ 12,015	$ 15,974

Total future minimum rental payments receivable from sales-type leases at December 31, 2013 exclude $1.5 million which represents amounts billed but not yet received.

5. Inventories

	As at December 31,	
	2013	2012
Raw materials	$4,321	$ 5,424
Work-in-process	500	338
Finished goods	5,004	10,032
	$9,825	$15,794

At December 31, 2013, finished goods inventory for which title had passed to the customer and revenue was deferred amounted to $1.7 million (December 31, 2012 — $6.8 million). In 2013, the Company recognized revenue for 10 systems under a xenon-based digital upgrade sale arrangement which were previously installed but for which revenue recognition was deferred. Upon recognition of these 10 theater systems, the Company's finished goods inventory decreased by $3.4 million from December 31, 2012.

Inventories at December 31, 2013 include write-downs for excess and obsolete inventory based upon current estimates of net realizable value considering future events and conditions of $4.0 million (December 31, 2012 — $4.4 million).

6. Film Assets

	As at December 31,	
	2013	2012
Completed and released films, net of accumulated amortization of $84,363(2012 —$67,363)	$5,583	$2,959
Films in production	750	380
Films in development	743	398
	$7,076	$3,737

The Company expects to amortize film costs of $5.0 million for released films within three years from December 31, 2013 (December 31, 2012 — $3.0 million), including $3.0 million, which reflects the portion of the costs of the Company's completed films that are expected to be amortized within the next year. The amount of participation payments to third parties related to these films that the Company expects to pay during 2014, which is included in accrued liabilities at December 31, 2013, is $3.6 million (2012 — $5.8 million).

7. Property, Plant and Equipment

	As at December 31, 2013		
	Cost	Accumulated Depreciation	Net Book Value
Equipment leased or held for use			
Theater system components[1][2][3][4]	$158,192	$ 51,537	$106,655
Camera equipment[7]	4,591	2,736	1,855
	162,783	54,273	108,510
Assets under construction[5]	8,055	—	8,055
Other property, plant and equipment			
Land	1,593	—	1,593
Buildings	15,832	10,410	5,422
Office and production equipment[6]	27,190	18,707	8,483
Leasehold improvements	9,884	9,100	784
	54,499	38,217	16,282
	$225,337	$ 92,490	$132,847

	As at December 31, 2012		
	Cost	Accumulated Depreciation	Net Book Value
Equipment leased or held for use			
Theater system components[1][2][3]	$131,240	$ 39,140	$ 92,100
Camera equipment[7]	4,668	4,306	362
	135,908	43,446	92,462
Assets under construction[5]	6,910	—	6,910
Other property, plant and equipment			
Land	1,593	—	1,593
Buildings	15,242	9,864	5,378
Office and production equipment[6]	25,777	19,779	5,998
Leasehold improvements	9,734	8,465	1,269
	52,346	38,108	14,238
	$195,164	$ 81,554	$113,610

(1) Included in theater system components are assets with costs of $14.3 million (2012 — $8.1 million) and accumulated depreciation of $8.6 million (2012 — $7.3 million) that are leased to customers under operating leases.

(2) Included in theater system components are assets with costs of $138.1 million (2012 — $118.5 million) and accumulated depreciation of $38.4 million (2012 — $29.2 million) that are used in joint revenue sharing arrangements.

(3) In 2013 and 2012, the Company identified and wrote off less than $0.1 million and $10.6 million, respectively of theater system components that are no longer in use and fully amortized.

(4) During 2013, the Company signed an amending agreement governing one of its joint revenue sharing arrangements which increased the length of the term for all IMAX theater systems under that arrangement from 10 to 13 years. As a result, the Company adjusted the estimated useful life of its IMAX digital projection systems in use for those joint revenue sharing theaters, on a prospective basis, to reflect the change in term from 10 years to 13 years. This has resulted in decreased depreciation expense of $0.7 million in 2013 and $1.4 million in each of the next 5 years as the theater systems will now be depreciated over a longer estimated useful life.

(5) Included in assets under construction are components with costs of $4.8 million (2012 — $4.1 million) that will be utilized to construct assets to be used in joint revenue sharing arrangements.
(6) Fully amortized office and production equipment is still in use by the Company. In 2013, the Company identified and wrote off $0.3 million of office and production equipment that is no longer in use.
(7) Fully amortized camera equipment is still in use by the Company. In 2013 and 2012, the Company identified and wrote off $1.8 million and $1.9 million, respectively of camera equipment that is no longer in use and fully amortized.

8. Other Assets

	As at December 31,	
	2013	2012
Insurance recoverable (note 13)	$11,094	$11,474
Lease incentives provided to theaters	5,172	4,554
Investment in new business ventures	5,380	1,350
Commissions and other deferred selling expenses	2,586	2,645
Deferred charges on debt financing	2,218	569
Equity-accounted investments	404	3,074
Foreign currency derivatives	—	297
Other	180	—
	$27,034	$23,963

9. Income Taxes

(a) Income (loss) from continuing operations before income taxes by tax jurisdiction are comprised of the following:

	Years Ended December 31,		
	2013	2012	2011
Canada	$51,593	$55,477	$23,023
United States	678	3,148	9,510
China	12,012	(476)	(5,722)
Other	(473)	141	388
	$63,810	$58,290	$27,199

(b) The provision for income taxes related to income from continuing operations is comprised of the following:

	Years Ended December 31,		
	2013	2012	2011
Current:			
Canada	$ (1,068)	$ (370)	$(1,174)
United States	(144)	15	(125)
China	(2,317)	—	—
Other	(201)	—	—
	(3,730)	(355)	(1,299)
Deferred:(1)			
Canada	(13,148)	(14,441)	(8,586)
United States	214	(420)	(838)
China	(252)	137	1,430
Other	337	—	—
	(12,899)	(14,724)	(7,994)
	$(16,629)	$(15,079)	$(9,293)

(1) For the year ended December 31, 2013, the Company has decreased the valuation allowance by $1.4 million (2012 - $0.1 million increase) relating to the future utilization of deductible temporary differences, tax credits, and certain net operating loss carryforwards, of which $0.3 million was recorded to deferred income tax expense and $1.0 million was recorded to share capital. Also included in the provision for income taxes is the deferred tax related to amounts recorded in and reclassified from other comprehensive income in the year of $0.6 million.

(c) The provision for income taxes from continuing operations differs from the amount that would have resulted by applying the combined Canadian federal and provincial statutory income tax rates to earnings due to the following:

	Years Ended December 31,		
	2013	2012	2011
Income tax provision at combined statutory rates	$(16,914)	$(15,447)	$(7,684)
Adjustments resulting from:			
Non-deductible stock based compensation	(2,603)	(3,166)	(2,752)
Other non-deductible/non-includable items	(341)	12	(246)
Decrease in valuation allowance relating to current year temporary differences	341	43	1,506
Withholding and other taxes	(891)	(1,095)	(895)
Changes to tax reserves	84	833	99
U.S. federal and state taxes	(144)	45	(345)
Income tax at different rates in foreign and other provincial jurisdictions	918	(56)	(916)
Impact of changes in future enacted tax rates on current year temporary differences	—	—	(521)
Carryforward of investment and other tax credits (non-refundable)	1,932	2,463	1,526
Effect of changes in legislation relating to enacted tax rate increases	—	494	—
Changes to deferred tax assets and liabilities resulting from audit and other tax return adjustments	11	483	226
Tax effect of loss from equity-accounted investments	1,040	463	642
Other	(62)	(151)	67
Provision for income taxes, as reported	$(16,629)	$(15,079)	$(9,293)

(d) The net deferred income tax asset is comprised of the following:

	As at December 31,	
	2013	2012
Net operating loss carryforwards	$15,377	$15,475
Investment tax credit and other tax credit carryforwards	6,615	6,101
Write-downs of other assets	—	690
Excess tax over accounting basis in property, plant and equipment and inventories	(852)	14,020
Accrued pension liability	5,287	6,615
Other accrued reserves	4,138	2,340
Total deferred income tax assets	30,565	45,241
Income recognition on net investment in leases	(1,552)	(2,667)
	29,013	42,574
Valuation allowance	(4,754)	(6,113)
Net deferred income tax asset	$24,259	$36,461

The gross deferred tax assets include a liability of less than $0.1 million relating to the remaining tax effect resulting from the Company’s defined benefit pension plan, the related actuarial gains and losses, unrealized net gains on cash flow hedging instruments and the unrealized change in market value of available-for-sale investments recorded in accumulated other comprehensive income.

The Company has not provided Canadian taxes on cumulative earnings of non-Canadian affiliates and associated companies that have been reinvested indefinitely. Taxes are provided for earnings of non-Canadian affiliates and associated companies when the Company determines that such earnings are no longer indefinitely reinvested.

(e) Estimated net operating loss carryforwards and estimated tax credit carryforwards expire as follows:

	Investment Tax Credits and Other Tax Credit Carryforwards	Net Operating Loss Carryforwards
2014	$ —	$ 11
2015	—	20
2016	—	
2017	—	—
2018	—	—
Thereafter	8,276	49,381
	$ 8,276	$ 49,412

Estimated net operating loss carryforwards can be carried forward to reduce taxable income through to 2033. Investment tax credits and other tax credits can be carried forward to reduce income taxes payable through to 2033.

As at December 31, 2013, the Company had approximately $14.8 million of U.S. consolidated federal net operating loss carryforwards and certain other state tax net loss carryforwards. Realization of some or all of the benefit from these U.S. net tax operating losses is dependent on the absence of certain “ownership changes” of the Company’s common shares. An “ownership change,” as defined in the applicable federal income tax rules, would place possible limitations, on an annual basis, on the use of such net operating losses to offset any future taxable income that the Company may generate. Such limitations, in conjunction with the net operating loss expiration provisions, could significantly reduce or effectively eliminate the Company’s ability to use its U.S. net operating losses to offset any future taxable income.

(f) Valuation allowance

The provision for income taxes in the year ended December 31, 2013 includes a net income tax recovery of $0.3 million (2012 - $0.1 million provision) in continuing operations related to a decrease in the valuation allowance for the Company’s deferred tax assets and other tax adjustments. In 2013, the Company reversed $1.4 million in valuation allowance relating to current period deductible temporary differences and loss carryforwards, of which $0.3 million was included in the provision for income taxes and $1.0 million was included directly to shareholders’ equity. During the year ended December 31, 2013, after considering all available evidence, both positive (including recent and historical profits, projected future profitability, backlog, carryforward periods for utilization of net operating loss carryovers and tax credits, discretionary deductions and other factors) and negative (including cumulative losses in past years and other factors), it was concluded that the valuation allowance against the Company’s deferred tax assets should be reversed by approximately $1.4 million (2012 - $0.1 million increase). The remaining $4.8 million (2012 - $6.1 million) balance in the valuation allowance as at December 31, 2013 is primarily attributable to certain U.S. federal and state net operating loss carryovers and federal tax credits that may expire unutilized. If the remaining $14.8 million in U.S. consolidated federal tax net operating loss carryforwards are realized in a future period, the related $4.0 million valuation allowance release will be recorded against Other Equity.

(g) Uncertain tax positions

In connection with the Company's adoption of FIN 48, as of January 1, 2007, the Company recorded a net increase to its deficit of $2.1 million (including approximately $0.9 million related to accrued interest and penalties) related to the measurement of potential international withholding tax requirements and a decrease in reserves for income taxes. As at December 31, 2013 and December 31, 2012, the Company had total unrecognized tax benefits (including interest and penalties) of $2.7 million and $2.8 million, respectively, for international withholding taxes. All of the unrecognized tax benefits could impact the Company's effective tax rate if recognized. While the Company believes it has adequately provided for all tax positions, amounts asserted by taxing authorities could differ from the Company's accrued position. Accordingly, additional provisions on federal, provincial, state and foreign tax-related matters could be recorded in the future as revised estimates are made or the underlying matters are settled or otherwise resolved.

A reconciliation of the beginning and ending amount of unrecognized tax benefits (excluding interest and penalties) for the years ended December 31, is as follows:

(In thousands of U.S. Dollars)	2013	2012	2011
Balance at beginning of the year	$2,286	$ 3,119	$3,219
Additions based on tax positions related to the current year	210	392	404
Additions for tax positions of prior years	—	—	16
Reductions for tax positions of prior years	—	(77)	—
Settlements	—	(38)	—
Reductions resulting from lapse of applicable statute of limitations and administrative practices	(294)	(1,110)	(520)
Balance at the end of the year	$2,202	$ 2,286	$3,119

Consistent with its historical financial reporting, the Company has elected to classify interest and penalties related to income tax liabilities, when applicable, as part of the interest expense in its consolidated statements of operations rather than income tax expense. The Company recovered less than $0.1 million in potential interest and penalties associated with its provision for uncertain tax positions for the years ended December 31, 2013 (2012 - $0.8 million recovery, 2011 - $0.1 million expense).

The number of years with open tax audits varies depending on the tax jurisdiction. The Company's major taxing jurisdictions include Canada, the province of Ontario, the United States (including multiple states) and China.

The Company's 2008 through 2013 tax years remain subject to examination by the IRS for U.S. federal tax purposes, and the 2006 through 2013 tax years remain subject to examination by the appropriate governmental agencies for Canadian federal tax purposes. There are other on-going audits in various other jurisdictions that are not material to the financial statements.

(h) Income Tax Effect on Comprehensive Income

The income tax (expense) benefit related to the following items included in other comprehensive income are:

	2013	2012	2011
Amortization of actuarial loss on defined benefit plan	$(114)	$ (91)	$ (53)
Unrecognized actuarial gain or loss on defined benefit plan	(588)	285	145
Gain on curtailment of postretirement benefit plan	(100)	—	—
Unrecognized actuarial gain or loss on postretirement benefit plans	43	33	58
Other-than-temporary impairment of available-for-sale investment	—	(19)	—
Change in market value of available-for-sale investment	45	(42)	61
Unrealized change in cash flow hedging instruments	264	(185)	45
Realized change in cash flow hedging instruments upon settlement	(80)	62	190
Foreign currency translation adjustments	26	—	—
	$(504)	$ 43	$446

10. Other Intangible Assets

	As at December 31, 2013		
	Cost	Accumulated Amortization	Net Book Value
Patents and trademarks	$ 8,774	$ 5,741	$ 3,033
Licenses and intellectual property	19,950	3,260	16,690
Other	8,843	821	8,022
	$37,567	$ 9,822	$27,745

	As at December 31, 2012		
	Cost	Accumulated Amortization	Net Book Value
Patents and trademarks	$ 8,499	$ 5,670	$ 2,829
Licenses and intellectual property	19,790	1,730	18,060
Other	7,022	—	7,022
	$35,311	$ 7,400	$27,911

Other intangible assets of $8.8 million are comprised mainly of the Company's investment in a new enterprise resource planning system, which the Company started amortizing on January 1, 2013. Fully amortized other intangible assets are still in use by the Company. In 2013, the Company identified and wrote off $0.1 million of patents and trademarks that are no longer in use.

During 2013, the Company acquired $2.5 million in other intangible assets. The net book value of these other intangible assets was $2.1 million as at December 31, 2013. The weighted average amortization period for these additions is 10 years.

During 2013, the Company incurred costs of $0.1 million to renew or extend the term of acquired patents and trademarks which were recorded in selling, general and administrative expenses (2012 - $0.1 million).

The estimated amortization expense for each of the years ended December 31, are as follows:

2014	$2,854
2015	2,814
2016	2,624
2017	2,624
2018	2,624

11. Credit Facility

On February 7, 2013, the Company amended and restated the terms of its existing senior secured credit facility (the “Prior Credit Facility”). The amended and restated facility (the “Credit Facility”), with a scheduled maturity of February 7, 2018, has a maximum borrowing capacity of $200.0 million. The Prior Credit Facility had a maximum borrowing capacity of $110.0 million. Certain of the Company’s subsidiaries serve as guarantors (the “Guarantors”) of the Company’s obligations under the Credit Facility. The Credit Facility is collateralized by a first priority security interest in substantially all of the present and future assets of the Company and the Guarantors.

The terms of the Credit Facility are set forth in the Third Amended and Restated Credit Agreement (the “Credit Agreement”), dated February 7, 2013, among the Company, the Guarantors, the lenders named therein, Wells Fargo Bank, National Association (“Wells Fargo”), as agent and issuing lender (Wells Fargo, together with the lenders named therein, the “Lenders”) and Wells Fargo Securities, LLC, as Sole Lead Arranger and Sole Bookrunner and in various collateral and security documents entered into by the Company and the Guarantors. Each of the Guarantors has also entered into a guarantee in respect of the Company’s obligations under the Credit Facility.

The Credit Facility permits the Company to undertake up to $150.0 million in stock buybacks and dividends, provided certain covenants in the Credit Agreement are maintained. In the event that the Company undertakes stock buybacks or makes dividend payments, any amounts outstanding under the revolving portion of the Credit Facility up to the first $75.0 million of any such stock buybacks and dividend payments will be converted to a term loan.

The amounts outstanding under the Credit Facility bear interest, at the Company’s option, at (i) LIBOR plus a margin of (a) 1.50%, 1.75% or 2.00% depending on the Company’s Total Leverage Ratio (as defined in the Credit Agreement) per annum, or (ii) Wells Fargo’s prime rate plus a margin of 0.50% per annum. In addition, the Company is obligated to pay a Commitment Fee (as defined in the Credit Agreement) per annum of between 0.25% and 0.50% of the unused portion of the Credit Facility, depending on the Company’s Total Leverage Ratio. Term loans, if any, under the Credit Facility must be repaid under a 5-year straight line amortization, with a balloon payment due at maturity. The Company is required to provide an interest rate hedge for 50% of any term loans outstanding after January 1, 2015. Under the Credit Facility, the effective interest rate for the year ended December 31, 2013 for the revolving loan portion was 2.41%. Under the Prior Credit Facility, the effective interest rate for the year ended December 31, 2012 was 2.42%.

The Credit Facility provides that the Company will be required to maintain a Fixed Charge Coverage Ratio (as defined in the Credit Agreement) of not less than 1.1:1. The Company will also be required to maintain minimum EBITDA (as defined in the Credit Agreement) of $80.0 million on December 31, 2013, which increases to $90.0 million on December 31, 2014, and $100.0 million on December 31, 2015. The Company must also maintain a Maximum Total Leverage Ratio (as defined in the Credit Agreement) of 2.25:1 on December 31, 2013, which requirement decreases to 2.0:1 on December 31, 2014, and 1.75:1 on December 31, 2015. The Company was in compliance with all of these requirements at December 31, 2013.

The Credit Facility contains typical affirmative and negative covenants, including covenants that limit or restrict the ability of the Company and the guarantors to: incur certain additional indebtedness; make certain loans, investments or guarantees; pay dividends; make certain asset sales; incur certain liens or other encumbrances; conduct certain transactions with affiliates and enter into certain corporate transactions.

The Credit Facility also contains customary events of default, including upon an acquisition or change of control or upon a change in the business and assets of the Company or a Guarantor that in each case is reasonably expected to have a material adverse effect on the Company or a Guarantor. If an event of default occurs and is continuing under the Credit Facility, the Lenders may, among other things, terminate their commitments and require immediate repayment of all amounts owed by the Company.

Bank indebtedness includes the following:

	As at December 31,	
	2013	2012
Revolving Term Loan	$—	$ 11,000

Total amounts drawn and available under the Credit Facility at December 31, 2013 were $nil and $200.0 million, respectively (December 31, 2012 — $11.0 million and $99.0 million, respectively).

As at December 31, 2013, the Company did not have any letters of credit and advance payment guarantees outstanding (December 31, 2012 — $nil), under the Credit Facility.

Wells Fargo Foreign Exchange Facility

Under the New Credit Facility, the Company is able to purchase foreign currency forward contracts and/or other swap arrangements. The settlement risk on its foreign currency forward contracts was $0.4 million at December 31, 2013 as the notional value exceeded the fair value of the forward contracts. As at December 31, 2013, the Company has $23.6 million of such arrangements outstanding.

Bank of Montreal Facilities

As at December 31, 2013, the Company has available a $10.0 million facility (December 31, 2012 — $10.0 million) with the Bank of Montreal for use solely in conjunction with the issuance of performance guarantees and letters of credit fully insured by EDC (the “Bank of Montreal Facility”). As at December 31, 2013, the Company has letters of credit and advance payment guarantees outstanding of $0.3 million (2012 — $0.9 million) under the Bank of Montreal Facility.

12. Commitments

(a) The Company’s lease commitments consist of rent and equipment under operating leases. The Company accounts for any incentives provided over the term of the lease. Total minimum annual rental payments to be made by the Company as at December 31, 2013 for each of the years ended December 31, are as follows:

	Operating Leases	Capital Leases
2014	$ 6,454	$ 2
2015	1,537	—
2016	695	—
2017	533	—
2018	533	—
Thereafter	314	—
	$ 10,066	$ 2

Rent expense was $6.5 million for 2013 (2012 — $6.2 million, 2011 — $4.9 million) net of sublease rental of $nil (2012 —$nil, 2011 — less than $0.1 million).

Recorded in the accrued liabilities balance as at December 31, 2013 is $1.7 million (December 31, 2012 — $2.4 million) related to accrued rent and lease inducements being recognized as an offset to rent expense over the term of the respective leases.

Purchase obligations under long-term supplier contracts as at December 31, 2013 were $11.8 million (December 31, 2012 — $12.1 million).

(b) As at December 31, 2013 the Company did not have any letters of credit and advance payment guarantees outstanding (December 31, 2012 — $nil), under the Credit Facility. As at December 31, 2013 the Company had letters of credit and advance payment guarantees outstanding of $0.3 million as compared to $0.9 million as at December 31, 2012, under the Bank of Montreal Facility.

(c) The Company compensates its sales force with both fixed and variable compensation. Commissions on the sale or lease of the Company’s theater systems are payable in graduated amounts from the time of collection of the customer’s first payment to the Company up to the collection of the customer’s last initial payment. At December 31, 2013, $1.5 million (December 31, 2012—$1.8 million) of commissions have been accrued and will be payable in future periods.

13. Contingencies and Guarantees

The Company is involved in lawsuits, claims, and proceedings, including those identified below, which arise in the ordinary course of business. In accordance with the Contingencies Topic of the FASB ASC, the Company will make a provision for a liability when it is both probable that a loss has been incurred and the amount of the loss can be reasonably estimated. The Company believes it has adequate provisions for any such matters. The Company reviews these provisions in conjunction with any related provisions on assets related to the claims at least quarterly and adjusts these provisions to reflect the impacts of negotiations, settlements, rulings, advice of legal counsel and other pertinent information related to the case. Should developments in any of these matters outlined below cause a change in the Company's determination as to an unfavorable outcome and result in the need to recognize a material provision, or, should any of these matters result in a final adverse judgment or be settled for significant amounts, they could have a material adverse effect on the Company's results of operations, cash flows, and financial position in the period or periods in which such a change in determination, settlement or judgment occurs.

The Company expenses legal costs relating to its lawsuits, claims and proceedings as incurred.

(a) In March 2005, the Company, together with Three-Dimensional Media Group, Ltd. ("3DMG"), filed a complaint in the U.S. District Court for the Central District of California, Western Division, against In-Three, Inc. ("In-Three") alleging patent infringement. On March 10, 2006, the Company and In-Three entered into a settlement agreement settling the dispute between the Company and In-Three. Despite the settlement reached between the Company and In-Three, co-plaintiff 3DMG refused to dismiss its claims against In-Three. Accordingly, the Company and In-Three moved jointly for a motion to dismiss the Company's and In-Three's claims. On August 24, 2010, the Court dismissed all of the claims pending between the Company and In-Three, thus dismissing the Company from the litigation.

On May 15, 2006, the Company initiated arbitration against 3DMG before the International Centre for Dispute Resolution in New York (the "ICDR"), alleging breaches of the license and consulting agreements between the Company and 3DMG. On June 15, 2006, 3DMG filed an answer denying any breaches and asserting counterclaims that the Company breached the parties' license agreement. On June 21, 2007, the ICDR unanimously denied 3DMG's Motion for Summary Judgment filed on April 11, 2007 concerning the Company's claims and 3DMG's counterclaims. The proceeding was suspended on May 4, 2009 due to failure of 3DMG to pay fees associated with the proceeding. The proceeding was further suspended on October 11, 2010 pending resolution of reexamination proceedings currently pending involving one of 3DMG's patents. The Company will continue to pursue its claims vigorously and believes that all allegations made by 3DMG are without merit. The Company further believes that the amount of loss, if any, suffered in connection with the counterclaims 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 the arbitration.

(b) In January 2004, the Company and IMAX Theatre Services Ltd., a subsidiary of the Company, commenced an arbitration seeking damages before the International Court of Arbitration of the International Chambers of Commerce (the "ICC") with respect to the breach by Electronic Media Limited ("EML") of its December 2000 agreement with the Company. In June 2004, the Company commenced a related arbitration before the ICC against EML's affiliate, E-City Entertainment (I) PVT Limited ("E-City"), seeking damages as a result of E-City's breach of a September 2000 lease agreement. An arbitration hearing took place in November 2005 against E-City which considered all claims by the Company. On February 1, 2006, the ICC issued an award on liability finding unanimously in the Company's favor on all claims. Further hearings took place in July 2006 and December 2006. On August 24, 2007, the ICC issued an award unanimously in favor of the Company in the amount of $9.4 million, consisting of past and future rents owed to the Company under its lease agreements, plus interest and costs. In the award, the ICC upheld the validity and enforceability of the Company's theater system contract. The Company thereafter submitted its application to the arbitration panel for interest and costs. On March 27, 2008, the arbitration panel issued a final award in favor of the Company in the amount of $11.3 million, plus an additional $2,512 each day in interest from October 1, 2007 until the date the award is paid, which the Company is seeking to enforce and collect in full. In July 2008, E-City commenced a proceeding in Mumbai, India seeking an order that the ICC award may not be recognized in India. The Company has opposed that application on a number of grounds and seeks to have the ICC award recognized in India. On June 24, 2011, the Company commenced an application to the Ontario Superior Court of Justice for recognition of the final award. On December 2, 2011, the Ontario court issued an order recognizing the final award and requiring E-City to pay the Company $30,000 to cover the costs of the application. On January 18, 2012, the Company filed an application in New York State Supreme Court seeking recognition of the Ontario order in New York. On April 11, 2012, the New York court issued an order granting the Company's application leading to an entry of $15.5 million judgment in favor of the Company on May 4, 2012. On January 30, 2013, the Company filed an action in the New York Supreme Court seeking to collect the amount due under the New York judgment from certain entities and individuals affiliated with E-City. On June 13, 2013, the Bombay High Court ruled that it has jurisdiction over the proceeding but on November 19, 2013, the Supreme Court of India stayed proceedings in the High Court pending Supreme Court review of the High Court's ruling. The defendants in the New York action have answered and objected to the Company's petition, and they have moved to dismiss for improper service of process. The New York Court heard oral arguments on August 20, 2013 and has taken the matter under advisement.

(c) The Company and certain of its officers and directors were named as defendants in eight purported class action lawsuits filed between August 11, 2006 and September 18, 2006, alleging violations of U.S. federal securities laws. These eight actions were filed in the U.S. District Court for the Southern District of New York (the "Court"). On January 18, 2007, the Court consolidated all eight class action lawsuits and appointed Westchester Capital Management, Inc. as the lead plaintiff and Abbey Spanier Rodd & Abrams, LLP as lead plaintiff's counsel. On October 2, 2007, plaintiffs filed a consolidated amended class action complaint. The amended complaint, brought on behalf of shareholders who purchased the Company's common stock on the NASDAQ between February 27, 2003 and July 20, 2007 (the "U.S. Class"), alleges primarily that the defendants engaged in securities fraud by disseminating materially false and misleading statements during the class period regarding the Company's revenue recognition of theater system installations, and failing to disclose material information concerning the Company's revenue recognition practices. The amended complaint also added PricewaterhouseCoopers LLP, the Company's auditors, as a defendant. On April 14, 2011, the Court issued an order appointing The Merger Fund as the lead plaintiff and Abbey Spanier Rodd & Abrams, LLP as lead plaintiff's counsel. On November 2, 2011, the parties entered into a memorandum of understanding containing the terms and conditions of a settlement of this action. On January 26, 2012, the parties executed and filed with the Court a formal stipulation of settlement and proposed form of notice to the class, which the Court preliminarily approved on February 1, 2012. Under the terms of the settlement, members of the U.S. Class who did not opt out of the settlement will release defendants from liability for all claims that were alleged in this action or could have been alleged in this action or any other proceeding (including the action in Canada as described in (d) of this note (the "Canadian Action") relating to the purchase of IMAX securities on the NASDAQ from February 27, 2003 and July 20, 2007 or the subject matter and facts relating to this action. As part of the settlement and in exchange for the release, defendants will pay $12.0 million to a settlement fund which amount will be funded by the carriers of the Company's directors and officers insurance policy and by PricewaterhouseCoopers LLP. On March 26, 2012, the parties executed and filed with the Court an amended formal stipulation of settlement and proposed form of notice to the class, which the court preliminarily approved on March 28, 2012. On June 20, 2012, the Court issued an order granting final approval of the settlement. The settlement is conditioned on the Company's receipt of an order from the court in the Canadian Action, the Ontario Superior Court of Justice, (the "Canadian Court") excluding from the class in the Canadian Action every member of the class in both actions who has not opted out of the U.S. settlement. A hearing on the motion for the order occurred on July 30, 2012 before the Canadian Court and on March 19, 2013, the Canadian Court issued a decision granting the Company's motion to exclude from the class in the Canadian Action every member of the classes in both actions who has not opted out of the U.S. settlement. However, no final order will be granted by the Court until the plaintiffs in the Canadian Action have exhausted their appeals.

(d) A class action lawsuit was filed on September 20, 2006 in the Canadian Court against the Company and certain of its officers and directors, alleging violations of Canadian securities laws. This lawsuit was brought on behalf of shareholders who acquired the Company's securities between February 17, 2006 and August 9, 2006. The lawsuit seeks $210.0 million in compensatory and punitive damages, as well as costs. For reasons released December 14, 2009, the Canadian Court granted leave to the plaintiffs to amend their statement of claim to plead certain claims pursuant to the Securities Act (Ontario) against the Company and certain individuals and granted certification of the action as a class proceeding. These are procedural decisions, and do not contain any conclusions binding on a judge at trial as to the factual or legal merits of the claim. Leave to appeal those decisions was denied. The Company believes the allegations made against it in the statement of claim are meritless and will vigorously defend the matter, although no assurance can be given with respect to the ultimate outcome of such proceedings. The Company's directors' and officers' insurance policy provides for reimbursement of costs and expenses incurred in connection with this lawsuit as well as potential damages awarded, if any, subject to certain policy limits, exclusions and deductibles.

(e) On June 26, 2013, the Company filed suit against GDC Technology (USA) LLC and certain of its affiliates (collectively, "GDC") in the U.S. District Court for the Central District of California alleging trade secret misappropriation, unjust enrichment and unfair competition and seeking injunctive relief, compensatory damages, and punitive damages. This action is based on GDC's commercial exploitation of large format digital theater projection system and film conversion technologies, which the lawsuit alleges were stolen from the Company by its former employee, Gary Tsui, and then provided by Tsui to various technology companies in China. The Company's action against GDC alleges that GDC is now knowingly and actively using these trade secrets and marketing large format film projection systems and conversion technology that the Company is informed and believes were derived from and incorporate the trade secrets stolen by Tsui. On August 12, 2013, in light of the complicating effects of the interwoven corporate relationships among the GDC defendants on federal diversity jurisdiction, the Company voluntarily dismissed the federal court action and filed a complaint in the Los Angeles County Superior Court alleging the same set of operative facts and same causes of action that had been contained in the District Court action. GDC has been served with the lawsuit, but has not yet filed its response. The lawsuit is at a very early stage, and the Company cannot predict the timing or outcome of this matter at this time.

(f) The Company is also involved in litigation against Gary Tsui ("Tsui") and related parties in both Canada and China based on Tsui's theft and use of the Company's trade secrets. The Company filed a lawsuit against Tsui and other related individuals and entities in the Ontario Superior Court of Justice on December 8, 2009, through which the Company sought injunctive relief to prohibit Tsui from disclosing or using the Company's confidential and proprietary information and from competing with the Company. The Company is also seeking compensatory and punitive damages. The Ontario Court awarded the injunctive relief sought by the Company on December 22, 2009. On April 30, 2013, a warrant was issued for Tsui's arrest based on his refusal to comply with the orders of the Ontario court, including with respect to the continued use of the Company's trade secrets. The Ontario action is to proceed to trial in mid-2014, though all of Tsui's defenses were stricken by the Ontario court in a January 2012 contempt order. The Company also initiated suits against Tsui and related parties in Beijing No. 1 Intermediate People's Court in Beijing, China on February 16, 2013 and December 3, 2013, seeking relief similar to that sought in the Ontario action. The actions in Canada and China remain ongoing.

(g) In March 2013, IMAX (Shanghai) Multimedia Technology Co., Ltd. ("IMAX China"), the Company's wholly-owned subsidiary in China, received notice from the Shanghai office of the General Administration of Customs that it had been selected for a customs audit. The Company is unable to assess the potential impact, if any, of the audit at this time.

(h) In addition to the matters described above, the Company is currently involved in other legal proceedings or governmental inquiries 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 of any such proceedings.

(i) In the normal course of business, the Company enters into agreements that may contain features that meet the definition of a guarantee. The Guarantees Topic of the FASB ASC defines a guarantee to be a contract (including an indemnity) that contingently requires the Company to make payments (either in cash, financial instruments, other assets, shares of its stock or provision of services) to a third party based on (a) changes in an underlying interest rate, foreign exchange rate, equity or commodity instrument, index or other variable, that is related to an asset, a liability or an equity security of the counterparty, (b) failure of another party to perform under an obligating agreement or (c) failure of another third party to pay its indebtedness when due.

Financial Guarantees

The Company has provided no significant financial guarantees to third parties.

Product Warranties

The following summarizes the accrual for product warranties that was recorded as part of accrued liabilities in the consolidated balance sheets:

	As at December 31,	
	2013	2012
Balance at the beginning of the year	$ 32	$ 94
Warranty redemptions	(77)	(66)
Warranties issued	52	53
Revisions	—	(49)
Balance at the end of the year	$ 7	$ 32

Director/Officer Indemnifications

The Company's General By-law contains an indemnification of its directors/officers, former directors/officers and persons who have acted at its request to be a director/officer of an entity in which the Company is a shareholder or creditor, to indemnify them, to the extent permitted by the *Canada Business Corporations Act*, against expenses (including legal fees), judgments, fines and any amount actually and reasonably incurred by them in connection with any action, suit or proceeding in which the directors and/or officers are sued as a result of their service, if they acted honestly and in good faith with a view to the best interests of the Company. The nature of the indemnification prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay to counterparties. The Company has purchased directors' and officers' liability insurance. No amount has been accrued in the consolidated balance sheet as at December 31, 2013 and December 31, 2012 with respect to this indemnity.

Other Indemnification Agreements

In the normal course of the Company's operations, the Company provides indemnifications to counterparties in transactions such as: theater system lease and sale agreements and the supervision of installation or servicing of the theater systems; film production, exhibition and distribution agreements; real property lease agreements; and employment agreements. These indemnification agreements require the Company to compensate the counterparties for costs incurred as a result of litigation claims that may be suffered by the counterparty as a consequence of the transaction or the Company's breach or non-performance under these agreements. While the terms of these indemnification agreements vary based upon the contract, they normally extend for the life of the agreements. A small number of agreements do not provide for any limit on the maximum potential amount of indemnification; however, virtually all of the Company's system lease and sale agreements limit such maximum potential liability to the purchase price of the system. The fact that the maximum potential amount of indemnification required by the Company is not specified in some cases prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay to counterparties. Historically, the Company has not made any significant payments under such indemnifications and no amounts have been accrued in the consolidated financial statements with respect to the contingent aspect of these indemnities.

14. Capital Stock

(a) Authorized

Common Shares

The authorized capital of the Company consists of an unlimited number of common shares. The following is a summary of the rights, privileges, restrictions and conditions of the 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.

(b) Changes during the Year

In 2013, the Company issued 1,316,347 (2012 — 1,429,685, 2011 — 907,167) common shares pursuant to the exercise of stock options for cash proceeds of $9.0 million (2012 — $8.9 million, 2011 — $7.9 million). In addition, the Company issued 42,461 common shares (net of shares withheld for tax) pursuant to the vesting of RSUs (2012 – nil, 2011 – nil).

(c) Stock-Based Compensation

The Company issues stock-based compensation to eligible employees, directors and consultants under the Company's 2013 Long- Term Incentive Plan and the China Long-Term Incentive Plan, as described below. No further awards may be granted under the Company's Stock Option Plan.

On June 11, 2013, the Company's shareholders approved the IMAX 2013 Long-Term Incentive Plan ("IMAX LTIP") at the Company's Annual and Special Meeting. Awards to employees, directors and consultants under the IMAX LTIP may consist of stock options, restricted share units ("RSUs") and other awards.

The Company's Stock Option Plan ("SOP") which shareholders approved in June 2008, permitted the grant of stock options to employees, directors and consultants. As a result of the implementation of the IMAX LTIP on June 11, 2013, stock options will no longer be granted under the SOP.

A separate stock option plan, the China Long-Term Incentive Plan (the "China LTIP") was adopted by a subsidiary of the Company in October 2012.

The compensation costs recorded in the consolidated statement of operations for these plans were $11.9 million in 2013 (2012 — $13.1 million, 2011 — $11.9 million).

As at December 31, 2013, the Company has reserved a total of 10,530,723 (December 31, 2012— 13,296,485) common shares for future issuance under the SOP and IMAX LTIP. Of the common shares reserved for issuance, there are options in respect of 6,263,121 common shares and RSUs in respect of 264,140 common shares outstanding at December 31, 2013. At December 31, 2013 options in respect of 3,578,006 common shares were vested and exercisable.

Stock Option Plan

The Company's policy is to issue new common shares from treasury to satisfy stock options which are exercised.

The Company utilizes a lattice-binomial option-pricing model ("Binomial Model") to determine the fair value of stock-based payment awards. The fair value determined by the Binomial Model is affected by the Company's stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to, the Company's expected stock price volatility over the term of the awards, and actual and projected employee stock option exercise behaviors. The Binomial Model also considers the expected exercise multiple which is the multiple of exercise price to grant price at which exercises are expected to occur on average. Option-pricing models were developed for use in estimating the value of traded options that have no vesting or hedging restrictions and are fully transferable. Because the Company's employee stock options have certain characteristics that are significantly different from traded options, and because changes in the subjective assumptions can materially affect the estimated value, in management's opinion, the Binomial Model best provides a fair measure of the fair value of the Company's employee stock options.

All awards of stock options are made at fair market value of the Company's common shares on the date of grant. The fair market value of a common share on a given date means the higher of the closing price of a common share on the grant date (or the most recent trading date if the grant date is not a trading date) on the New York Stock Exchange ("NYSE"), the Toronto Stock Exchange (the "TSX") and such national exchange, as may be designated by the Company's Board of Directors (the "Fair Market Value"). The stock options vest within 5 years and expire 10 years or less from the date granted. The SOP and IMAX LTIP provide that vesting will be accelerated if there is a change of control, as defined in each plan and upon certain conditions.

The Company recorded an expense of $8.9 million in 2013 (2012 — $12.4 million, 2011 — $9.4 million) related to stock option grants issued to employees and directors in the IMAX LTIP and SOP plans. No income tax benefit is recorded in the consolidated statement of operations for these costs. Total stock-based compensation expense related to non-vested employee stock options not yet recognized at December 31, 2013 and the weighted average period over which the awards are expected to be recognized is $14.3 million and 3.0 years respectively (2012 — $20.6 million and 3.6 years, 2011 — $19.9 million and 3.1 years).

The weighted average fair value of all stock options, granted to employees and directors in 2013 at the measurement date was $7.10 per share (2012 — $7.45 per share, 2011 — $9.07 per share). For the years ended December 31, the following assumptions were used to estimate the average fair value of the stock options:

	2013	2012	2011
Average risk-free interest rate	1.63%	1.36%	2.61%
Expected option life (in years)	4.51 - 4.63	2.89 - 6.26	1.78 - 6.60
Expected volatility	40%	50%	50%
Annual termination probability	0% - 8.52%	0% - 8.76%	0% - 8.76%
Dividend yield	0%	0%	0%

Stock options to Non-Employees

During 2013, an aggregate of 2,500 (2012 — 12,500, 2011 — 103,944) stock options to purchase the Company's common stock with an average exercise price of $26.28 (2012 — $22.82, 2011 — $27.64) were granted to certain advisors and strategic partners of the Company. These stock options granted have a maximum contractual life of 7 years and vest between one and 5 years. The stock options granted in 2013 were granted under the IMAX LTIP.

As at December 31, 2013 non-employee options outstanding amounted to 76,751 stock options (2012 — 120,001, 2011 — 142,251) with a weighted average exercise price of $15.67 (2012 — $14.14, 2011 — $12.93). 31,509 stock options (2012 — 35,717, 2011 — 50,500) were exercisable with an average weighted exercise price of $12.38 (2012 — $11.57, 2011 — $11.50) and the vested options have an aggregate intrinsic value of $0.5 million (2012 — $0.4 million, 2011 — $0.3 million). The weighted average fair value of stock options granted to non-employees during 2013 at the measurement date was $11.50 per share (2012 — $11.73 per share, 2011 — $13.75 per share), utilizing a Binomial Model with the following underlying assumptions:

	Years Ended December 31		
	2013	2012	2011
Average risk-free interest rate	1.64%	1.28%	2.38%
Contractual option life	7 years	7 years	6 years
Average expected volatility	40%	50%	50%
Dividend yield	0%	0%	0%

In 2013, the Company recorded a charge of $0.2 million, (2012 — $0.1 million, 2011 — $0.9 million) to costs and expenses related to revenues – services and selling, general and administrative expenses related to the non-employee stock options. Included in accrued liabilities is an accrual of $0.1 million for non-employee stock options (December 31, 2012 — $0.1 million).

China Long-Term Incentive Plan ("CLTIP")

The China LTIP was adopted by a subsidiary of the Company in October 2012. Each stock option issued under the China LTIP represents an opportunity to participate economically in the future growth and value creation of the subsidiary. The China LTIP options issued by the subsidiary ("China Options") operate in tandem with options granted to certain employees of the subsidiary under the Company's Stock Option Plan ("SOP Options").

The China Options vest and become exercisable only upon specified events, including upon the occurrence of a qualified initial public offering or upon a change in control on or prior to the fifth anniversary of the grant date. If such a specified event occurs, the China Options vest over a 5 year period beginning on the date of grant. Upon vesting of the China options, the SOP Options are forfeited. The term of the China Options is 7 years. The total stock option expense associated with the China Options if a specified event and vesting were to occur is $2.7 million.

The SOP Options vest in full if one of the specified events does not occur on or prior to the fifth anniversary of the grant date. Upon vesting of the SOP Options, the China Options are forfeited.

In 2012, an aggregate of 146,623 SOP Options were granted to certain employees in conjunction with the China Options with an average price of $22.39 in accordance with the China LTIP. The SOP Options have a contractual life of 7 years. As at December 31, 2013 there were 146,623 (December 31, 2012 – 146,623) outstanding and unvested SOP Options issued under the China LTIP with a weighted average exercise price of $22.39 (December 31, 2012 – $22.39). The weighted average fair value of the SOP Options granted in 2012 was $6.96 per share. The total fair value of the SOP Options granted with respect to the China LTIP was $1.6 million. The Company is recognizing this expense over a 5 year period. If a performance event occurs, the 146,623 SOP Options issued forfeit immediately and the related charge would be reversed. There were no option awards issued under the China LTIP during 2013.

The Company recorded an expense of $0.3 million (2012 – less than $0.1 million, 2011 – nil) related to SOP Options issued under the China LTIP.

Stock Option Summary

The following table summarizes certain information in respect of option activity under the SOP and IMAX LTIP:

	Number of Shares			Weighted Average Exercise Price Per Share		
	2013	2012	2011	2013	2012	2011
Options outstanding, beginning of year	7,441,068	7,200,721	6,743,272	$18.48	$14.60	$10.79
Granted	375,650	1,833,485	1,547,342	25.29	24.59	28.11
Exercised	(1,316,347)	(1,429,685)	(907,167)	6.81	6.24	8.67
Forfeited	(228,190)	(154,958)	(182,726)	24.55	23.03	18.00
Expired	—	—	—	—	—	—
Cancelled	(9,060)	(8,495)	—	30.90	22.07	—
Options outstanding, end of period	6,263,121	7,441,068	7,200,721	21.11	18.48	14.60
Options exercisable, end of period	3,578,006	3,480,160	3,467,242	18.56	14.50	9.51

In 2013, the Company cancelled 9,060 stock options from its SOP (2012 — 8,495, 2011 — nil) surrendered by Company employees.

As at December 31, 2013, 5,853,070 options were fully vested or are expected to vest with a weighted average exercise price of $20.79, aggregate intrinsic value of $52.9 million and weighted average remaining contractual life of 4.7 years. As at December 31, 2013, options that are exercisable have an intrinsic value of $40.2 million and a weighted average remaining contractual life of 4.5 years. The intrinsic value of options exercised in 2013 was $26.7 million (2012 — $23.4 million, 2011 — $16.4 million).

Restricted Share Units

RSUs have been granted to employees, consultants and directors under the IMAX LTIP. Each RSU represents a contingent right to receive one common share and is the economic equivalent of one common share. The grant date fair value of each RSU is equal to the share price of the Company's stock at the grant date. The Company recorded an expense of $2.1 million for the year ended December 31, 2013, related to RSU grants issued to employees and directors in the plan. The annual termination probability assumed for the year ended December 31, 2013, ranged from 0% to 8.52%. In addition, the Company recorded an expense of less than $0.1 million for the year ended December 31, 2013, related to RSU grants issued to certain advisors and strategic partners of the Company.

Total stock-based compensation expense related to non-vested RSU's not yet recognized at December 31, 2013 and the weighted average period over which the awards are expected to be recognized is $4.7 million and 2.9 years. The Company's actual tax benefits realized for the tax deductions related to the vesting of RSUs was $nil for the year ended December 31, 2013.

RSUs granted under the IMAX LTIP vest between one and four years and expire 10 years or less from the date granted. Vesting of the RSUs is subject to continued employment or service with the Company.

The following table summarizes certain information in respect of RSU activity under the IMAX LTIP:

	Number of Awards	Weighted Average Grant Date Fair Value Per Share
RSUs outstanding, beginning of year	—	$ —
Granted	322,561	26.16
Vested	(46,360)	26.23
Forfeited	(12,061)	26.28
RSUs outstanding, end of period	264,140	26.14

Stock Appreciation Rights

There have been no stock appreciation rights ("SARs") granted since 2007. For the year ended December 31, 2013, 118,000 SARs were cash settled for $2.4 million (2012 — 15,000 SARs were cash settled for $0.3 million). The average exercise price for the settled SARs for the year ended December 31, 2013 was $6.86 (2012 — $6.86) per SAR. As at December 31, 2013, no SARS were outstanding (December 31, 2012 — 118,000 SARS outstanding with a weighted average fair value of — $16.23). None of the SARs were forfeited, cancelled, or expired for the years ended December 31, 2013 and 2012. The Company accounts for the obligation of these SARs as a liability (December 31, 2013 — nil, December 31, 2012 — $1.9 million), which is classified within accrued liabilities. The Company has recorded an expense of $0.4 million for 2013 (2012 — $0.6 million, 2011 — $1.6 million) to selling, general and administrative expenses related to these SARs. The following assumptions were used for measuring the fair value of the SARs:

	As at December 31,	
	2013	2012
Average risk-free interest rate	n/a	0.72%
Expected option life (in years)	n/a	2.17
Expected volatility	n/a	50%
Annual termination probability	n/a	8.52%
Dividend yield	n/a	0%

(d) Income per share

Reconciliations of the numerator and denominator of the basic and diluted per-share computations are comprised of the following:

	Years Ended December 31,		
	2013	2012	2011
Net income from continuing operations applicable to common shareholders	$44,424	$41,849	$16,115
Weighted average number of common shares (000's):			
Issued and outstanding, beginning of period	66,482	65,053	64,146
Weighted average number of shares issued during the period	669	801	358
Weighted average number of shares used in computing basic earnings per Share	67,151	65,854	64,504
Assumed exercise of stock options and RSUs, net of shares assumed	1,810	2,079	3,355
Weighted average number of shares used in computing diluted earnings per Share	68,961	67,933	67,859

15. Consolidated Statements of Operations Supplemental Information

(a) Other Revenues

The Company enters into theater system arrangements with customers that typically contain customer payment obligations prior to the scheduled installation of the theater systems. During the period of time between signing and theater system installation, certain customers each year are unable to, or elect not to, proceed with the theater system installation for a number of reasons, including business considerations, or the inability to obtain certain consents, approvals or financing. Once the determination is made that the customer will not proceed with installation, the customer and/or the Company may terminate the arrangement by default or by entering into a consensual buyout. In these situations the parties are released from their future obligations under the arrangement, and the initial payments that the customer previously made to the Company are typically not refunded and are recognized as Other Revenues. In addition, the Company enters into agreements with customers to terminate their obligations for additional theater system configurations, which were in the Company's backlog. Other revenues from settlement arrangements were $0.4 million, $0.7 million and $3.8 million in 2013, 2012 and 2011, respectively.

(b) Foreign Exchange

Included in selling, general and administrative expenses for the December 31, 2013 is $0.7 million for net foreign exchange losses related to the translation of foreign currency denominated monetary assets and liabilities and unhedged foreign exchange contracts as compared to a net gain of $1.2 million for the year ended December 31, 2012 and a net gain of $1.5 million for the year ended December 31, 2011, respectively. See note 20(d) for additional information.

(c) Collaborative Arrangements

Joint Revenue Sharing Arrangements

In a joint revenue sharing arrangement, the Company receives a portion of a theater's box-office and concession revenues, and in some cases a small upfront or initial payment, in exchange for placing a theater system at the theater operator's venue. Under joint revenue sharing arrangements, the customer has the ability and the right to operate the hardware components or direct others to operate them in a manner determined by the customer. The Company's joint revenue sharing arrangements are typically non-cancellable for 10 to 13 years with renewal provisions. Title to equipment under joint revenue sharing arrangements does not transfer to the customer. The Company's joint revenue sharing arrangements do not contain a guarantee of residual value at the end of the term. The customer is required to pay for executory costs such as insurance and taxes and is required to pay the Company for maintenance and extended warranty throughout the term. The customer is responsible for obtaining insurance coverage for the theater systems commencing on the date specified in the arrangement's shipping terms and ending on the date the theater systems are delivered back to the Company.

The Company has signed joint revenue sharing agreements with 38 exhibitors for a total of 645 theater systems, of which 382 theaters were operating as at December 31, 2013, the terms of which are similar in nature, rights and obligations. The accounting policy for the Company's joint revenue sharing arrangements is disclosed in note 2(m).

Amounts attributable to transactions arising between the Company and its customers under joint revenue sharing arrangements are included in Rentals revenue and at December 31, 2013 amounted to $64.1 million (2012 — $57.5 million, 2011 - $30.8 million).

IMAX DMR

In an IMAX DMR arrangement, the Company transforms conventional motion pictures into the Company's large screen format, allowing the release of Hollywood content to the IMAX theater network. In a typical IMAX DMR film arrangement, the Company will absorb its costs for the digital re-mastering and then recoup this cost from a percentage of the gross box-office receipts of the film, which generally range from 10-15%. The Company does not typically hold distribution rights or the copyright to these films.

In 2013, the majority of IMAX DMR revenue was earned from the exhibition of 38 IMAX DMR films through the IMAX theater network. The accounting policy for the Company's IMAX DMR arrangements is disclosed in note 2(m).

Amounts attributable to transactions arising between the Company and its customers under IMAX DMR arrangements are included in Services revenues and for December 31, 2013 amounted to $83.5 million (2012 — $78.1 million, 2011 - $50.6 million).

Co-Produced Film Arrangements

In certain film arrangements, the Company co-produces a film with a third party whereby the third party retains the copyright and rights to the film, except that the Company obtains exclusive theatrical distribution rights to the film. Under these arrangements, both parties contribute funding to the Company's wholly-owned production company for the production of the film and for associated exploitation costs. Clauses in the film arrangements generally provide for the third party to take over the production of the film if the cost of the production exceeds its approved budget or if it appears as though the film will not be delivered on a timely basis.

As at December 31, 2013, the Company has 4 significant co-produced film arrangements which make up greater than 50% of the VIE total assets and liabilities balance of $5.2 million and 3 other co-produced film arrangements, the terms of which are similar. The accounting policies relating to co-produced film arrangements are disclosed in notes 2(a) and 2(m).

In 2013, amounts totaling $2.9 million (2012 —$6.1 million, 2011 - $7.5 million) attributable to transactions between the Company and other parties involved in the production of the films have been included in cost and expenses applicable to revenues-services.

16. Receivable Provisions, Net of Recoveries

The following table reflects the Company's receivable provisions net of recoveries recorded in the consolidated statements of operations:

	Years Ended December 31,		
	2013	2012	2011
Accounts receivable provisions, net of recoveries	$ (35)	$606	$ 333
Financing receivable provisions, net of recoveries	480	(82)	1,237
Receivable provisions, net of recoveries	$445	$524	$1,570

17. Asset Impairments

	Years Ended December 31,		
	2013	2012	2011(1)
Property, plant and equipment	$—	$—	$ 20
Total	$—	$—	$ 20

(1) In January 2014, the Company discontinued the operations of its owned and operated Nyack IMAX theater. The Company has reclassified the Nyack owned and operated theater operations from continuing operations to discontinued operations. As a result, asset impairments of less than $0.1 million incurred in 2011 has been reclassified to discontinued operations.

The Company records asset impairment charges against property, plant and equipment after an assessment of the carrying value of certain groups in light of their future expected cash flows.

18. Consolidated Statements of Cash Flows Supplemental Information

(a) Changes in other non-cash operating assets and liabilities are comprised of the following:

	Years Ended December 31,		
	2013	2012	2011
Decrease (increase) in:			
Accounts receivable	$(31,032)	$ 4,110	$ (7,486)
Financing receivables	(13,397)	(7,349)	(14,623)
Inventories	1,884	(422)	(1,264)
Prepaid expenses	231	(706)	(294)
Commissions and other deferred selling expenses	59	322	382
Insurance recoveries	380	444	978
Other assets	(341)	(752)	(2,357)
Increase (decrease) in:			
Accounts payable	7,238	(8,139)	5,592
Accrued and other liabilities(1)	(1,289)	(2,266)	(31,013)
Deferred revenue	2,512	(504)	706
	$(33,755)	$(15,262)	$(49,379)

(1) Decrease in accruals and other liabilities for 2013 includes payments of $2.4 million for stock-based compensation (2012 - $0.3 million, 2011 - $23.7 million).

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(b) Cash payments made on account of:

	Years Ended December 31, 2013	2012	2011
Income taxes	$1,056	$1,283	$3,349
Interest	$ 315	$1,374	$1,260

(c) Depreciation and amortization are comprised of the following:

	Years Ended December 31, 2013	2012	2011
Film assets (1)	$17,000	$15,515	$12,934
Property, plant and equipment			
Joint revenue sharing arrangements	11,519	10,125	7,098
Other property, plant and equipment	4,720	4,440	3,992
Other intangible assets	2,854	2,006	465
Other assets	592	532	286
Deferred financing costs	487	170	388
	$37,172	$32,788	$25,163

(1) Included in film asset amortization is a charge of $0.2 million (2012 —$0.1 million, 2011 —$0.5 million) relating to changes in estimates based on the ultimate recoverability of future films.

(d) Write-downs, net of recoveries, are comprised of the following:

	Years Ended December 31, 2013	2012	2011
Asset impairments			
Property, plant and equipment(1)	$ —	$ —	$ 20
Other charges (recoveries)			
Accounts receivables	(35)	606	333
Financing receivables	480	(82)	1,237
Inventories(2)	444	898	—
Impairment of available-for-sale investment	—	150	—
Property, plant and equipment(3)	384	18	356
Other intangible assets	63	11	—
Other assets	—	6	—
	$1,336	$1,607	$1,946
Inventory charges			
Recorded in costs and expenses applicable to revenues - product & equipment sales	$ 274	$ 795	$ —
Recorded in costs and expenses applicable to revenues - services	170	103	—
	$ 444	$ 898	$ —

(1) In January 2014, the Company discontinued the operations of its owned and operated Nyack IMAX theater. The Company has reclassified the Nyack owned and operated theater operations from continuing operations to discontinued operations. As a result, asset impairments of less than $0.1 million incurred in 2011 has been reclassified to discontinued operations.

(2) In 2013, the Company recorded a charge of $0.5 million (2012 — $0.9 million, 2011 — $nil, respectively) in costs and expenses applicable to revenues, primarily for its film-based projector inventories. Specifically, IMAX systems includes an inventory charge of $0.3 million (2012 — $0.8 million, 2011 — $nil). Theater system maintenance includes inventory write-downs of $0.2 million (2012 — $0.1 million, 2011 — $nil).

(3) The Company disposed of assets that no longer meet capitalization requirements as the assets were no longer in use. No cash was received for these assets.

19. Segmented Information

The Company has seven reportable segments identified by category of product sold or service provided: IMAX systems; theater system maintenance; joint revenue sharing arrangements; film production and IMAX DMR; film distribution; film post-production; and other. The IMAX systems segment designs, manufactures, sells or leases IMAX theater projection system equipment. The theater system maintenance segment maintains IMAX theater projection system equipment in the IMAX theater network. The joint revenue sharing arrangements segment provides IMAX theater projection system equipment to an exhibitor in exchange for a share of the box-office and concession revenues. The film production and IMAX DMR segment produces films and performs film re-mastering services. The film distribution segment distributes films for which the Company has distribution rights. The film post-production segment provides film post-production and film print services. The Company refers to all theaters using the IMAX theater system as “IMAX theaters”. The other segment includes certain IMAX theaters that the Company owns and operates, camera rentals and other miscellaneous items. The accounting policies of the segments are the same as those described in note 2.

Management, including the Company’s Chief Executive Officer (“CEO”) who is the Company’s Chief Operating Decision Maker (as defined in the Segment Reporting Topic of the FASB ASC), assesses segment performance based on segment revenues, gross margins and film performance. Selling, general and administrative expenses, research and development costs, amortization of intangibles, receivables provisions (recoveries), write-downs net of recoveries, interest income, interest expense and tax (provision) recovery are not allocated to the segments.

Transactions between the film production and IMAX DMR segment and the film post-production segment are valued at exchange value. Inter-segment profits are eliminated upon consolidation, as well as for the disclosures below.

In January 2014, the Company discontinued the operations of its owned and operated Nyack IMAX theater. The Company has reclassified the Nyack owned and operated theater operations from continuing operations to discontinued operations. As a result, the respective prior periods’ figures have been reclassified to conform to the current year’s presentation.

Transactions between the other segments are not significant.

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(a) Operating Segments

	Years Ended December 31, 2013	2012	2011
Revenue(1)			
IMAX theater systems			
IMAX systems	$ 80,189	$ 83,405	$ 93,200
Theater system maintenance	31,978	28,629	24,840
Joint revenue sharing arrangements	64,130	57,526	30,764
	176,297	169,560	148,804
Films			
Production and IMAX DMR	83,496	78,050	50,592
Distribution	7,770	14,222	16,074
Post-production	9,192	7,904	8,235
	100,458	100,176	74,901
Other	11,182	13,019	11,393
Total	$287,937	$282,755	$235,098
Gross margins			
IMAX theater systems			
IMAX systems(2)(4)	$ 49,040	$ 50,245	$ 56,929
Theater system maintenance(2)	12,096	10,970	9,437
Joint revenue sharing arrangements(3)(4)	44,565	37,308	17,605
	105,701	98,523	83,971
Films			
Production and IMAX DMR(4)	56,088	49,355	23,574
Distribution(4)	1,371	2,356	3,025
Post-production	1,341	1,954	2,985
	58,800	53,665	29,584
Other	102	1,057	510
Total	$164,603	$153,245	$114,065

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	Years Ended December 31,		
	2013	2012	2011
Depreciation and amortization			
IMAX systems	$ 3,287	$ 2,946	$ 1,770
Theater systems maintenance	141	212	184
Joint revenue sharing arrangements	13,535	11,836	7,939
Films			
Production and IMAX DMR	16,298	14,471	12,843
Distribution	1,048	1,631	980
Post-production	424	608	590
Other	347	172	156
Corporate and other non-segment specific assets	2,092	912	701
Total	$37,172	$32,788	$25,163

	Years Ended December 31,		
	2013	2012	2011
Asset impairments and write-downs, net of recoveries			
IMAX systems	$1,109	$1,480	$1,915
Theater systems maintenance	188	103	—
Joint revenue sharing arrangements	39	24	12
Films			
Production and IMAX DMR	—	—	—
Other	—	—	19
Total	$1,336	$1,607	$1,946

	Years Ended December 31,		
	2013	2012	2011
Purchase of property, plant and equipment			
IMAX systems	$ 6,181	$ 2,958	$ 1,076
Theater system maintenance	130	36	10
Joint revenue sharing arrangements	22,775	23,257	33,290
Films			
Production and IMAX DMR	408	1,175	1,150
Distribution	—	178	49
Post-production	2,185	—	638
Other	2,036	—	719
Corporate and other non-segment specific assets	2,076	1,708	1,886
Total	$35,791	$29,312	$38,818

	As at December 31, 2013	2012
Assets		
IMAX systems(5)	$170,719	$153,201
Theater systems maintenance(5)	16,619	14,632
Joint revenue sharing arrangements(5)	153,399	125,602
Films		
Production and IMAX DMR	22,315	17,653
Distribution	8,675	6,790
Post-production	5,351	3,694
Other	7,645	3,142
Corporate and other non-segment specific assets	96,422	97,158
Total	$481,145	$421,872

(1) The Company's two largest customers as at December 31, 2013 collectively represent 19.9% of total revenues (2012 – 15.9%, 2011 – 17.4%).

(2) In 2013, the Company recorded a charge of $0.5 million (2012 – $0.9 million, 2011 – $nil, respectively) in costs and expenses applicable to revenues, primarily for its film-based projector inventories. Specifically, IMAX systems includes an inventory charge of $0.3 million (2012 – $0.8 million, 2011 – $nil). Theater system maintenance includes inventory write-downs of $0.2 million (2012 – $0.1 million, 2011 – $nil).

(3) During 2013, the Company signed an amending agreement governing one of its joint revenue sharing arrangements which increased the length of the term for all IMAX theater systems under that arrangement from 10 to 13 years. As a result, the Company adjusted the estimated useful life of its IMAX digital projection systems in use for those joint revenue sharing theaters, on a prospective basis, to reflect the change in term from 10 years to 13 years. This has resulted in decreased depreciation expense of $0.7 million in 2013 as the theater systems will now be depreciated over a longer estimated useful life.

(4) IMAX systems include marketing and commission costs of $2.5 million, $2.7 million and $2.4 million in 2013, 2012 and 2011, respectively. Joint revenue sharing arrangements segment margins include advertising, marketing, and commission costs of $3.6 million, $3.4 million and $5.4 million in 2013, 2012 and 2011, respectively. Production and DMR segment margins include marketing costs of $4.2 million, $3.3 million and $3.8 million in 2013, 2012 and 2011, respectively. Distribution segment margins include marketing costs of $0.4 million, $1.5 million and $1.9 million in 2013, 2012 and 2011, respectively.

(5) Goodwill is allocated on a relative fair market value basis to the IMAX systems segment, theater system maintenance segment and joint revenue sharing segment.

(b) Geographic Information

Revenue by geographic area is based on the location of the customer. Revenue related to IMAX DMR is presented based upon the geographic location of the theaters that exhibit the re-mastered films. IMAX DMR revenue is generated through contractual relationships with studios and other third parties and these may not be in the same geographical location as the theater.

	Years Ended December 31,		
	2013	2012	2011
Revenue			
United States	$125,166	$126,547	$108,666
Canada	11,049	19,109	21,232
Greater China	56,480	44,922	33,265
Western Europe	26,000	26,309	18,895
Asia (excluding Greater China)	30,451	28,899	22,186
Russia & the CIS	19,600	20,130	16,157
Latin America	13,017	9,419	6,051
Rest of the World	6,174	7,420	8,646
Total	$287,937	$282,755	$235,098

No single country in the Rest of the World, Western Europe or Asia (excluding Greater China) classifications comprise more than 5% of total revenue.

	As at December 31,	
	2013	2012
Property, plant and equipment		
United States	$ 60,285	$ 55,658
Canada	23,687	21,779
Greater China	32,958	24,764
Asia (excluding Greater China)	9,200	7,134
Western Europe	6,012	3,556
Rest of the World	705	719
Total	$132,847	$113,610

20. Financial Instruments

(a) Financial Instruments

The Company maintains cash with various major financial institutions. The Company's cash is invested with highly rated financial institutions.

The Company's accounts receivables and financing receivables are subject to credit risk. The Company's accounts receivable and financing receivables are concentrated with the theater exhibition industry and film entertainment industry. To minimize the Company's credit risk, 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. The Company believes it has adequately provided for related exposures surrounding receivables and contractual commitments.

(b) Fair Value Measurements

The carrying values of the Company's cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities due within one year approximate fair values due to the short-term maturity of these instruments. The Company's other financial instruments at December 31, are comprised of the following:

	As at December 31, 2013		As at December 31, 2012	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Net financed sales receivable	$ 93,493	$ 92,043	$ 81,148	$ 78,933
Net investment in sales-type leases	$ 13,617	$ 13,214	$ 13,045	$ 13,513
Available-for-sale investment	$ 1,000	$ 1,000	$ 1,350	$ 1,350
Foreign exchange contracts — designated forwards	$ (421)	$ (421)	$ 297	$ 297
Foreign exchange contracts — non-designated forwards	$ —	$ —	$ —	$ —
Borrowings under the Prior Credit Facility	$ —	$ —	$(11,000)	$(11,000)

The carrying value of borrowings under the Credit Facility approximates fair value as the interest rates offered under the Credit Facility are close to December 31, 2013 and 2012 market rates for the Company for debt of the same remaining maturities (Level 2 input in accordance with the Fair Value Measurements Topic of the FASB ASC hierarchy) as at December 31, 2013 and 2012, respectively.

The estimated fair values of the net financed sales receivable and net investment in sales-type leases are estimated based on discounting future cash flows at currently available interest rates with comparable terms (Level 2 input in accordance with the Fair Value Measurements Topic of the FASB ASC hierarchy) as at December 31, 2013 and 2012, respectively.

The fair value of the Company's available-for-sale investment is determined using the present value of expected cash flows based on projected earnings and other information readily available from the business venture (Level 3 input in accordance with the Fair Value Measurements Topic of the FASB ASC hierarchy) as at December 31, 2013 and 2012, respectively. The discounted cash flow valuation technique is based on significant unobservable inputs of revenue and expense projections, appropriately risk weighted, as the investment is in a start-up entity. The significant unobservable inputs used in the fair value measurement of the Company's available-for-sale investment are long-term revenue growth and pretax operating margin. A significant increase (decrease) in any of those inputs in isolation would result in a lower or higher fair value measurement.

The fair value of foreign currency derivatives are determined using quoted prices in active markets (Level 2 input in accordance with the Fair Value Measurements Topic of the FASB ASC hierarchy) as at December 31, 2013 and 2012, respectively. These identical instruments are traded on a closed exchange.

There were no significant transfers between Level 1 and Level 2 during the year ended December 31, 2013 or 2012. When a determination is made to classify an asset or liability within Level 3, the determination is based upon the significance of the unobservable inputs to the overall fair value measurement. The table below sets forth a summary of changes in the fair value of the Company's available-for-sale investment measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the period:

	Available For Sale Investments	
	2013	2012
Beginning balance, January 1,	$1,350	$1,012
Transfers into/out of Level 3	—	—
Total gains or losses (realized/unrealized)		
Included in earnings	—	—
Included in other comprehensive income	(350)	338
Purchases, issuances, sales and settlements	—	—
Ending balance, December 31,	$1,000	$1,350
The amount of total gains or losses for the period included in earnings attributable to the change in unrealized gains or losses relating to assets still held at the reporting date	$ —	$ (150)

There were no transfers in or out of the Company's level 3 assets during the year ended December 31, 2013.

In the year ended December 31, 2012, the Company recognized a $0.2 million other-than-temporary impairment of its available-for-sale investment, in "Impairment of available-for-sale investment" in the consolidated statement of operations, as the value is not expected to recover based on the length of time and extent to which the market value has been less than cost.

(c) Financing Receivables

The Company's net investment in leases and its net financed sale receivables are subject to the disclosure requirements of ASC 310 "Receivables". Due to differing risk profiles of its net investment in leases and its net financed sales receivables, the Company views its net investment in leases and its net financed sale receivables as separate classes of financing receivables. The Company does not aggregate financing receivables to assess impairment.

The Company monitors the credit quality of each customer on a frequent basis through collections and aging analyses. The Company also holds meetings monthly in order to identify credit concerns and whether a change in credit quality classification is required for the customer. A customer may improve in their credit quality classification once a substantial payment is made on overdue balances or the customer has agreed to a payment plan with the Company and payments have commenced in accordance to the payment plan. The change in credit quality indicator is dependent upon management approval.

The Company classifies its customers into four categories to indicate the credit quality worthiness of its financing receivables for internal purposes only:

Good standing — Theater continues to be in good standing with the Company as the client's payments and reporting are up-to-date.

Credit Watch — Theater operator has begun to demonstrate a delay in payments, has been placed on the Company's credit watch list for continued monitoring, but active communication continues with the Company. Depending on the size of outstanding balance, length of time in arrears and other factors, transactions may need to be approved by management. These financing receivables are considered to be in better condition than those receivables related to theaters in the "Pre-approved transactions" category, but not in as good of condition as those receivables in "Good standing."

Pre-approved transactions only — Theater operator is demonstrating a delay in payments with little or no communication with the Company. All service or shipments to the theater must be reviewed and approved by management. These financing receivables are considered to be in better condition than those receivables related to theaters in the "All transactions suspended" category, but not in as good of condition as those receivables in "Credit Watch." Depending on the individual facts and circumstances of each customer, finance income recognition may be suspended if management believes the receivable to be impaired.

All transactions suspended — Theater is severely delinquent, non-responsive or not negotiating in good faith with the Company. Once a theater is classified as "All transactions suspended" the theater is placed on nonaccrual status and all revenue recognitions related to the theater are stopped.

The following table discloses the recorded investment in financing receivables by credit quality indicator:

	As at December 31, 2013			As at December 31, 2012		
	Minimum Lease Payments	Financed Sales Receivables	Total	Minimum Lease Payments	Financed Sales Receivables	Total
In good standing	$ 12,318	$ 89,017	$101,335	$ 11,508	$ 69,310	$80,818
Credit Watch	420	3,895	4,315	—	10,930	10,930
Pre-approved transactions	288	—	288	467	293	760
Transactions suspended	1,397	817	2,214	2,200	681	2,881
	$ 14,423	$ 93,729	$108,152	$ 14,175	$ 81,214	$95,389

While recognition of finance income is suspended, payments received by a customer are applied against the outstanding balance owed. If payments are sufficient to cover any unreserved receivables, a recovery of provision taken on the billed amount, if applicable, is recorded to the extent of the residual cash received. Once the collectibility issues are resolved and the customer has returned to being in good standing, the Company will resume recognition of finance income.

The Company's investment in financing receivables on nonaccrual status is as follows:

	As at December 31, 2013		As at December 31, 2012	
	Recorded Investment	Related Allowance	Recorded Investment	Related Allowance
Net investment in leases	$ 1,684	$ (606)	$ 2,666	$ (1,130)
Net financed sales receivables	817	(236)	1,322	(66)
Total	$ 2,501	$ (842)	$ 3,988	$ (1,196)

The Company considers financing receivables with aging between 60-89 days as indications of theaters with potential collection concerns. The Company will begin to focus its review on these financing receivables and increase its discussions internally and with the theater regarding payment status. Once a theater's aging exceeds 90 days, the Company's policy is to review and assess collectibility on theater's past due accounts. Over 90 days past due is used by the Company as an indicator of potential impairment as invoices up to 90 days outstanding could be considered reasonable due to the time required for dispute resolution or for the provision of further information or supporting documentation to the customer.

The Company's aged financing receivables are as follows:

	As at December 31, 2013							
	Accrued and Current	30-89 Days	90+ Days	Billed Financing Receivables	Related Unbilled Recorded Investment	Total Recorded Investment	Related Allowances	Recorded Investment Net of Allowances
Net investment in leases	$ 444	$ 218	$ 841	$ 1,503	$ 12,920	$ 14,423	$ (806)	$ 13,617
Net financed sales receivables	2,502	1,211	3,018	6,731	86,998	93,729	(236)	93,493
Total	$ 2,946	$1,429	$3,859	$ 8,234	$ 99,918	$108,152	$ (1,042)	$ 107,110

	As at December 31, 2012							
	Accrued and Current	30-89 Days	90+ Days	Billed Financing Receivables	Related Unbilled Recorded Investment	Total Recorded Investment	Related Allowances	Recorded Investment Net of Allowances
Net investment in leases	$ 144	$202	$1,240	$ 1,586	$ 12,589	$ 14,175	$ (1,130)	$ 13,045
Net financed sales receivables	1,063	670	1,267	3,000	78,214	81,214	(66)	81,148
Total	$ 1,207	$872	$2,507	$ 4,586	$ 90,803	$ 95,389	$ (1,196)	$ 94,193

The Company's recorded investment in past due financing receivables for which the Company continues to accrue finance income is as follows:

	As at December 31, 2013						
	Accrued and Current	30-89 Days	90+ Days	Billed Financing Receivables	Related Unbilled Recorded Investment	Related Allowance	Recorded Investment Past Due and Accruing
Net investment in leases	$ 168	$108	$ 205	$ 481	$ 4,865	$ (200)	$ 5,146
Net financed sales receivables	450	469	2,056	2,975	19,282	—	22,257
Total	$ 618	$577	$2,261	$ 3,456	$ 24,147	$ (200)	$ 27,403

	As at December 31, 2012						
	Accrued and Current	30-89 Days	90+ Days	Billed Financing Receivables	Related Unbilled Recorded Investment	Related Allowance	Recorded Investment Past Due and Accruing
Net investment in leases	$ 11	$ 59	$ 23	$ 93	$ 1,449	$ —	$ 1,542
Net financed sales receivables	223	382	864	1,469	16,173	—	17,642
Total	$ 234	$441	$887	$ 1,562	$ 17,622	$ —	$ 19,184

The Company considers financing receivables to be impaired when it believes it to be probable that it will not recover the full amount of principal or interest owing under the arrangement. The Company uses its knowledge of the industry and economic trends, as well as its prior experiences to determine the amount recoverable for impaired financing receivables. The following table discloses information regarding the Company's impaired financing receivables:

	Impaired Financing Receivables For the Year Ended December 31, 2013				
	Recorded Investment	Unpaid Principal	Related Allowance	Average Recorded Investment	Interest Income Recognized
Recorded investment for which there is a related allowance:					
Net financed sales receivables	$ 535	$ 283	$ (236)	$ 545	$ 34
Recorded investment for which there is no related allowance:					
Net financed sales receivables	—	—	—	—	—
Total recorded investment in impaired loans:					
Net financed sales receivables	$ 535	$ 283	$ (236)	$ 545	$ 34

	Impaired Financing Receivables For the Year Ended December 31, 2012				
	Recorded Investment	Unpaid Principal	Related Allowance	Average Recorded Investment	Interest Income Recognized
Recorded investment for which there is a related allowance:					
Net financed sales receivables	$ 187	$ 220	$ (66)	$ 201	$ —
Recorded investment for which there is no related allowance:					
Net financed sales receivables	377	13	—	479	22
Total recorded investment in impaired loans:					
Net financed sales receivables	$ 564	$ 233	$ (66)	$ 680	$ 22

The Company's activity in the allowance for credit losses for the period and the Company's recorded investment in financing receivables is as follows:

	Year Ended December 31, 2013	
	Net Investment in Leases	Net Financed Sales Receivables
Allowance for credit losses:		
Beginning balance	$ 1,130	$ 66
Charge-offs	(624)	—
Provision	300	170
Ending balance	$ 806	$ 236
Ending balance: individually evaluated for impairment	$ 806	$ 236
Financing receivables:		
Ending balance: individually evaluated for impairment	$ 14,423	$ 93,729

	Year Ended December 31, 2012	
	Net Investment in Leases	Net Financed Sales Receivables
Allowance for credit losses:		
Beginning balance	$ 1,833	$ 316
Charge-offs	(1,019)	(109)(1)
Provision	316	(141)
Ending balance	$ 1,130	$ 66
Ending balance: individually evaluated for impairment	$ 1,130	$ 66
Financing receivables:		
Ending balance: individually evaluated for impairment	$ 14,174	$ 81,215

(1) As a result of a troubled debt restructuring in the year ended December 31, 2012, the Company recorded a $0.1 million write-down on a $0.5 million recorded investment.

(d) Foreign Exchange Risk Management

The Company is exposed to market risk from changes in foreign currency rates. A majority portion of the Company's revenues is denominated in U.S. dollars while a substantial portion of its costs and expenses is denominated in Canadian dollars. A portion of the net U.S. dollar cash flows of the Company is periodically converted to Canadian dollars to fund Canadian dollar expenses through the spot market. In China and Japan the Company has ongoing operating expenses related to its operations in Chinese Renminbi and Japanese yen, respectively. Net cash flows are converted to and from U.S. dollars through the spot market. The Company also has cash receipts under leases denominated in Chinese Renminbi, Japanese yen, Canadian dollar and Euros which are converted to U.S. dollars through the spot market. The Company's policy is to not use any financial instruments for trading or other speculative purposes.

The Company entered into a series of foreign currency forward contracts to manage the Company's risks associated with the volatility of foreign currencies. Certain of these foreign currency forward contracts met the criteria required for hedge accounting under the Derivatives and Hedging Topic of the FASB ASC at inception, and continue to meet hedge effectiveness tests at December 31, 2013 (the "Foreign Currency Hedges"), with settlement dates throughout 2014. Foreign currency derivatives are recognized and measured in the balance sheet at fair value. Changes in the fair value (gains or losses) are recognized in the consolidated statement of operations except for derivatives designated and qualifying as foreign currency hedging instruments. For foreign currency hedging instruments, the effective portion of the gain or loss in a hedge of a forecasted transaction is reported in other comprehensive income and reclassified to the consolidated statement of operations when the forecasted transaction occurs. Any ineffective portion is recognized immediately in the consolidated statement of operations.

The following tabular disclosures reflect the impact that derivative instruments and hedging activities have on the Company's consolidated financial statements:

Notional value of foreign exchange contracts:

	As at December 31, 2013	2012
Derivatives designated as hedging instruments:		
Foreign exchange contracts — Forwards	$23,555	$8,069

Fair value of derivatives in foreign exchange contracts:

	Balance Sheet Location	As at December 31, 2013	2012
Derivatives designated as hedging instruments:			
Foreign exchange contracts — Forwards	Other assets	$ —	$ 297
Foreign exchange contracts — Forwards	Accrued and other liabilities	(421)	—
		$ (421)	$ 297

Derivatives in Foreign Currency Hedging relationships are as follows:

		Years Ended December 31, 2013	2012	2011
Foreign exchange contracts - Forwards	Derivative (Loss) Gain Recognized in OCI (Effective Portion)	$(1,031)	$716	$(162)
		$(1,031)	$716	$(162)

	Location of Derivative (Loss) Gain Reclassified from AOCI into Income (Effective Portion)	Years Ended December 31, 2013	2012	2011
Foreign exchange contracts - Forwards	Selling, general and administrative expenses	$ (312)	$ 236	$ 684
		$ (312)	$ 236	$ 684

		Years Ended December 31, 2013
Foreign exchange contracts - Forwards	Derivative Loss Recognized In and Out of OCI (Effective Portion)	$ (486)
		$ (486)

Non Designated Derivatives in Foreign Currency relationships are as follows:

	Location of Derivative Gain (Loss)	Years Ended December 31, 2013	2012	2011
Foreign exchange contracts - Forwards	Selling, general and administrative expenses	$ —	$1,184	$(1,014)
		$ —	$1,184	$(1,014)

(e) Investments in New Business Ventures

The Company accounts for investments in new business ventures using the guidance of the FASB ASC 323 and the FASB ASC 320, as appropriate. As at December 31, 2013, the equity method of accounting is being utilized for an investment with a carrying value of $0.4 million (December 31, 2012 — $3.0 million). For the year ended December 31, 2013, gross revenues, cost of revenue and net loss for the investment were $6.6 million, $26.0 million and $26.3 million, respectively (2012 — $9.0 million, $12.7 million, and $13.4 million, respectively). The difference between the Company's investment balance and the amount of underlying equity in net assets owned by the Company amounts to $0.4 million and relates to goodwill. In 2013, the Company has contributed

$1.4 million, net of its share of costs, to a new business venture. This venture is still in the early-stage of start-up. The Company has determined it is not the primary beneficiary of these VIEs, and therefore it has not been consolidated. In addition, the Company has an investment in preferred stock of another business venture of $1.5 million which meets the criteria for classification as a debt security under the FASB ASC 320 and is recorded at a total fair value of $1.0 million at December 31, 2013 (December 31, 2012 — $1.4 million). In the year ended December 31, 2012, the Company recognized an other-than-temporary impairment for its investment of $0.2 million. This investment is classified as an available-for-sale investment. In 2013, the Company invested $2.5 million in the preferred shares of an enterprise which meet the criteria for classification as an equity security under ASC 325 and accrued $0.5 million pertaining to warrants related to the respective investment. The total carrying value of investments in new business ventures at December 31, 2013 and 2012 is $5.8 million and $4.4 million, respectively, and is recorded in Other Assets.

21. Employees' Pension and Postretirement Benefits

(a) Defined Benefit Plan

The Company has an unfunded U.S. defined benefit pension plan, the SERP, covering Richard L. Gelfond, Chief Executive Officer ("CEO") of the Company and Bradley J. Wechsler, Chairman of the Company's Board of Directors. The SERP provides for a lifetime retirement benefit from age 55 determined as 75% of the member's best average 60 consecutive months of earnings over the member's employment history. The benefits were 50% vested as at July 2000, the SERP initiation date. The vesting percentage increases on a straight-line basis from inception until age 55. As at December 31, 2013, the benefits of Mr. Gelfond were 100% vested. Upon a termination for cause, prior to a change of control, the executive shall forfeit any and all benefits to which such executive may have been entitled, whether or not vested.

Under the terms of the SERP, if Mr. Gelfond's employment terminated other than for cause (as defined in his employment agreement), he is entitled to receive SERP benefits in the form of a lump sum payment. SERP benefit payments to Mr. Gelfond are subject to a deferral for six months after the termination of his employment, at which time Mr. Gelfond will be entitled to receive interest on the deferred amount credited at the applicable federal rate for short-term obligations. Effective January 1, 2013 the term of Mr. Gelfond's current employment agreement was extended through December 31, 2016, although Mr. Gelfond has not informed the Company that he intends to retire at that time. Under the terms of the arrangement, no compensation earned beginning in 2011 is included in calculating his entitlement under the SERP.

The following assumptions were used to determine the obligation and cost status of the Company's SERP at the plan measurement dates:

	As at December 31, 2013	2012
Discount rate	1.45%	0.96%
Lump sum interest rate:		
First 20 years	3.35%	2.67%
Thereafter	3.50%	3.01%
Cost of living adjustment on benefits	1.20%	1.20%

The amounts accrued for the SERP are determined as follows:

	Years Ended December 31, 2013	2012
Projected benefit obligation:		
Obligation, beginning of year	$ 20,366	$ 18,990
Interest cost	195	272
Actuarial (gain) loss	(2,277)	1,104
Obligation, end of year and unfunded status	$ 18,284	$ 20,366

The following table provides disclosure of the pension benefit obligation recorded in the consolidated balance sheets:

	As at December 31, 2013	2012
Accrued benefits cost	$(18,284)	$(20,366)
Accumulated other comprehensive loss	646	3,367
Net amount recognized in the consolidated balance sheets	$(17,638)	$(16,999)

The following table provides disclosure of pension expense for the SERP for the year ended December 31:

	Years ended December 31 2013	2012	2011
Interest cost	195	272	279
Amortization of actuarial loss	444	365	214
Pension expense	$ 639	$ 637	$ 493

The accumulated benefit obligation for the SERP was $18.3 million at December 31, 2013 (2012 — $20.4 million).

The following amounts were included in accumulated other comprehensive income and will be recognized as components of net periodic benefit cost in future periods:

	As at December 31, 2013	2012	2011
Unrealized actuarial loss	$646	$3,367	$2,628

No contributions were made for the SERP during 2013. The Company expects interest costs of $0.3 million to be recognized as a component of net periodic benefit cost in 2014.

The following benefit payments are expected to be made as per the current SERP assumptions and the terms of the SERP in each of the next five years, and in the aggregate:

2014	$ —
2015	—
2016	—
2017	19,228
2018	—
Thereafter	—
	$19,228

(b) Defined Contribution Pension Plan

The Company also maintains defined contribution pension plans for its employees, including its executive officers. The Company makes contributions to these plans on behalf of employees in an amount up to 5% of their base salary subject to certain prescribed maximums. During 2013, the Company contributed and expensed an aggregate of $1.3 million (2012 — $1.1 million, 2011 — $1.0 million) to its Canadian plan and an aggregate of $0.3 million (2012 — $0.3 million, 2011 — $0.2 million) to its defined contribution employee pension plan under Section 401(k) of the U.S. Internal Revenue Code.

(c) Postretirement Benefits - Executives

The Company has an unfunded postretirement plan for Messrs. Gelfond and Wechsler. The plan provides that the Company will maintain health benefits for Messrs. Gelfond and Wechsler until they become eligible for Medicare and, thereafter, the Company will provide Medicare supplemental coverage as selected by Messrs. Gelfond and Wechsler.

The amounts accrued for the plan are determined as follows:

	As at December 31,	
	2013	2012
Obligation, beginning of year	$ 524	$ 502
Interest cost	19	13
Benefits paid	(17)	—
Actuarial (gain) loss	(134)	9
Obligation, end of year	$ 392	$ 524

The following details the net cost components, all related to continuing operations, and underlying assumptions of postretirement benefits other than pensions:

	Years Ended December 31,		
	2013	2012	2011
Interest cost	$ 19	$ 13	$ 26
Actuarial loss	—	9	—
	$ 19	$ 22	$ 26

The following amounts were included in accumulated other comprehensive income and will be recognized as components of net periodic benefit cost in future periods:

	As at December 31,		
	2013	2012	2011
Unrealized actuarial gain	$(134)	$—	$—

Weighted average assumptions used to determine the benefit obligation are:

	As at December 31,		
	2013	2012	2011
Discount rate	3.75%	4.20%	5.30%

Weighted average assumptions used to determine the net postretirement benefit expense are:

	Years Ended December 31		
	2013	2012	2011
Discount rate	4.50%	4.50%	4.50%

The following benefit payments are expected to be made as per the current plan assumptions in each of the next five years:

2014	$ 20
2015	22
2016	24
2017	30
2018	32
Thereafter	264
Total	$392

(d) Postretirement Benefits – Canadian Employees

The Company has an unfunded postretirement plan for its Canadian employees upon meeting specific eligibility requirements. The Company will provide eligible participants, upon retirement, with health and welfare benefits.

In February 2013, the Company amended the Canadian post-retirement plan to reduce future benefits provided under the plan. As a result of this change, the Company recognized a pre-tax curtailment gain in the first quarter of 2013 of $2.2 million (included in selling, general and administrative expenses) and a reduction in the postretirement liability of $2.6 million.

The amounts accrued for the plan are determined as follows:

	As at December 31, 2013	2012
Obligation, beginning of year	$ 4,606	$4,052
Curtailment gain	(2,185)	—
Interest cost	72	194
Service cost	27	231
Benefits paid	(81)	—
Actuarial (gain) loss	(95)	129
Obligation, end of year	$ 2,344	$4,606

The following details the net cost components, all related to continuing operations, and underlying assumptions of postretirement benefits other than pensions:

	Years Ended December 31, 2013	2012	2011
Curtailment gain	$(2,185)	$—	$—
Interest cost	72	194	183
Service cost	27	231	195
	$(2,086)	$425	$378

The following amounts were included in accumulated other comprehensive income and will be recognized as components of net periodic benefit cost in future periods:

	As at December 31, 2013	2012	2011
Unrealized actuarial loss	$303	$129	$234

Weighted average assumptions used to determine the benefit obligation are:

	As at December 31, 2013	2012	2011
Discount rate	4.50%	4.00%	4.50%

Weighted average assumptions used to determine the net postretirement benefit expense are:

	Years Ended December 31 2013	2012	2011
Discount rate	4.00%	4.50%	5.00%

The Company expects interest costs of $0.1 million and service costs of less than $0.1 million to be recognized as a component of net periodic benefit cost in 2014.

The following benefit payments are expected to be made as per the current plan assumptions in each of the next five years:

2014	$ 79
2015	$ 92
2016	$ 103
2017	$ 114
2018	$ 121
Thereafter	$1,835
Total	$2,344

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22. Discontinued Operations

(a) Nyack Theater

On January 30, 2014, the Company's lease with respect to its owned and operated Nyack IMAX Theater ended and the Company has decided not to renew the respective lease. The remaining assets and liabilities of the Nyack owned and operated theater that are included in the Company's consolidated balance sheet as at December 31, 2013 are disclosed in note 22(c).

As a result, the prior years' amounts in the consolidated statements of operations and the consolidated statements of cash flows have been adjusted to reflect the reclassification of the owned and operated Nyack IMAX theater as a discontinued operation.

(b) Operating Results for Discontinued Operations

The net earnings from discontinued operations summarized in the consolidated statements of operations, were comprised of the following:

	Years Ended December 31,		
	2013	2012	2011
Services revenue	$ 1,291	$ 1,535	$ 1,458
Services cost of sales applicable to revenues	(1,758)	(2,047)	(2,305)
Selling, general and administrative expenses	(2)	—	—
Asset impairments	—	—	(8)
Interest recovery	1	—	—
Tax recovery	159	—	—
Net loss from discontinued operations	$ (309)	$ (512)	$ (855)

(c) Assets and Liabilities of Discontinued Operations

The assets and liabilities related to the Nyack theater are included in the consolidated balance sheet of IMAX Corporation and are comprised of the following:

	As at December 31,	
	2013	2012
Cash	$ 134	$ 197
Accounts receivable	9	16
Inventories	20	21
Prepaid expenses	54	17
Property, plant and equipment	—	2
Total assets	$ 217	$ 253
Accounts payable	$ 147	$ 133
Accrued liabilities	701	1,157
Deferred revenue	32	32
Total liabilities	$ 880	$ 1,322

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23. Asset Retirement Obligations

The Company has accrued costs related to obligations in respect of required reversion costs for its owned and operated theaters under long-term real estate leases which will become due in the future. The Company does not have any legal restrictions with respect to settling any of these long-term leases. A reconciliation of the Company's liability in respect of required reversion costs is shown below:

	Years Ended December 31,		
	2013	2012	2011
Beginning balance, January 1	$ 249	$230	$286
Accretion expense	6	19	17
Reduction in asset retirement obligation	(112)	—	(73)
Ending balance, December 31	$ 143	$249	$230

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

None

Item 9A. ***Controls and Procedures***

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

The Company maintains disclosure controls and procedures designed to ensure that information required to be disclosed in reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the specified time periods and that such information is accumulated and communicated to management, including the CEO and CFO, to allow timely discussions regarding required disclosure. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

The Company's management, with the participation of its CEO and its CFO, has evaluated the effectiveness of the Company's "disclosure controls and procedures" (as defined in the Securities Exchange Act of 1934 Rules 13a-15(e) or 15d-15(e)) as at December 31, 2013 and has concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective. The Company will continue to periodically evaluate its disclosure controls and procedures and will make modifications from time to time as deemed necessary to ensure that information is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company.

Management has used the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") framework in Internal Control-Integrated Framework (1992) to assess the effectiveness of the Company's internal control over financial reporting.

Management has assessed the effectiveness of the Company's internal control over financial reporting, as at December 31, 2013, and has concluded that such internal control over financial reporting were effective as at that date.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP has audited the effectiveness of the Company's internal control over financial reporting as at December 31, 2013 as stated in their report on page 80.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

During the first quarter of 2013, the Company implemented a new enterprise resource planning ("ERP") system. The implementation of the new ERP system resulted in material changes to the nature and type of the Company's internal controls over financial reporting during the year ended December 31, 2013. The Company reviewed the implementation effort as well as the impact on its internal controls over financial reporting and where appropriate, has made changes to these controls over financial reporting to address these system changes. The Company believes that the internal control changes resulting from the new ERP implementation will improve the overall control environment. There were no other changes in the Company's internal controls over financial reporting during the quarter ended December 31, 2013 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

Item 9B. ***Other Information***

None.

PART III

Item 10. *Directors, Executive Officers and Corporate Governance*

The information required by Item 10 is incorporated by reference from the information under the following captions in the Company's Proxy Statement: "Item No. 1 - Election of Directors;" "Executive Officers;" "Section 16(a) Beneficial Ownership Reporting Compliance;" "Code of Ethics;" and "Audit Committee."

Item 11. *Executive Compensation*

The information required by Item 11 is incorporated by reference from the information under the following captions in the Company's Proxy Statement: "Compensation Discussion and Analysis;" "Summary Compensation Table;" "Grant of Plan-Based Awards;" "Outstanding Equity Awards at Fiscal Year-End;" "Options Exercised;" "Pension Benefits;" "Employment Agreements and Potential Payments upon Termination or Change-in-Control;" "Compensation of Directors;" and "Compensation Committee Interlocks and Insider Participation."

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

The information required by Item 12 is incorporated by reference from the information under the following captions in the Company's Proxy Statement: "Equity Compensation Plans;" "Principal Shareholders of Voting Shares;" and "Security Ownership of Directors and Management."

Item 13. *Certain Relationships and Related Transactions, and Director Independence*

The information required by Item 13 is incorporated by reference from the information under the following caption in the Company's Proxy Statement: "Certain Relationships and Related Transactions," "Review, Approval and Ratification of Transactions with Related Persons," and "Director Independence."

Item 14. *Principal Accounting Fees and Services*

The information required by Item 14 is incorporated by reference from the information under the following captions in the Company's Proxy Statement: "Audit Fees;" "Audit-Related Fees;" "Tax Fees;" "All Other Fees;" and "Audit Committee's Pre-Approved Policies and Procedures."

PART IV

Item 15. *Exhibits and Financial Statement Schedules*

(a)(1) Financial Statements

The consolidated financial statements filed as part of this Report are included under Item 8 in Part II.

Report of Independent Registered Public Accounting Firm, which covers both the financial statements and financial statement schedule in (a)(2), is included under Item 8 in Part II.

(a)(2) Financial Statement Schedules

Financial statement schedule for each year in the three-year period ended December 31, 2013.

II. Valuation and Qualifying Accounts.

(a)(3) Exhibits

The items listed as Exhibits 10.1 to 10.40 relate to management contracts or compensatory plans or arrangements.

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Exhibit No.	Description
3.1	Restated Articles of Incorporation of IMAX Corporation, dated July 30, 2013. Incorporated by reference to Exhibit 3.1 to IMAX Corporation's Form 10-Q, for the quarter ended September 30, 2013 (File No. 001-35066).
3.2	By-Law No. 1 of IMAX Corporation enacted on June 11, 2013. Incorporated by reference to Exhibit 3.2 to IMAX Corporation's Form 8-K, dated June 11, 2013 (File No. 001-35066).
4.1	Shareholders' Agreement, dated as of January 3, 1994, among WGIM Acquisition Corporation, the Selling Shareholders as defined therein, Wasserstein Perella Partners, L.P., Wasserstein Perella Offshore Partners, L.P., Bradley J. Wechsler, Richard L. Gelfond and Douglas Trumbull (the "Selling Shareholders' Agreement"). Incorporated by referenced to Exhibit 4.1 to IMAX Corporation's Form 10-K, for the year ended December 31, 2012 (File No. 001-35066).
4.2	Amendment, dated as of March 1, 1994, to the Selling Shareholders' Agreement. Incorporated by reference to Exhibit 4.2 to IMAX Corporation's Form 10-K, for the year ended December 31, 2012 (File No. 001-35066).
4.3	Registration Rights Agreement, dated as of February 9, 1999, by and among IMAX Corporation, Wasserstein Perella Partners, L.P., Wasserstein Perella Offshore Partners, L.P., WPPN Inc., the Michael J. Biondi Voting Trust, Bradley J. Wechsler and Richard L. Gelfond. Incorporated by referenced to Exhibit 4.3 to IMAX Corporation's Form 10-K, for the year ended December 31, 2012 (File No. 001-35066).
10.1	Stock Option Plan of IMAX Corporation, dated June 18, 2008. Incorporated by reference to Exhibit 10.1 to IMAX Corporation's Form 10-K, for the year ended December 31, 2010 (File No. 001-35066).
10.2	IMAX Corporation 2013 Long Term Incentive Plan. Incorporated by referenced to Exhibit 10.1 to IMAX Corporation's Form 8-K, dated June 11, 2013 (File No. 001-35066).
10.3	IMAX Corporation Supplemental Executive Retirement Plan, as amended and restated as of January 1, 2006 Incorporated by reference to Exhibit 10.2 to IMAX Corporation's Form 10-K, for year ended December 31, 2012 (File No. 001-35066).
10.4	Employment Agreement, dated July 1, 1998, between IMAX Corporation and Bradley J. Wechsler. Incorporated by reference to Exhibit 10.3 to IMAX Corporation's Form 10-K, for the year ended December 31, 2012 (File No. 001-35066).
10.5	Amended Employment Agreement, dated July 12, 2000, between IMAX Corporation and Bradley J. Wechsler. Incorporated by reference to Exhibit 10.4 to IMAX Corporation's Form 10-K, for the year ended December 31, 2012 (File No. 001-35066).
10.6	Amended Employment Agreement, dated March 8, 2006, between IMAX Corporation and Bradley J. Wechsler. Incorporated by reference to Exhibit 10.5 to IMAX Corporation's Form 10-K, for the year ended December 31, 2011 (File No. 001-35066).
10.7	Amended Employment Agreement, dated February 15, 2007, between IMAX Corporation and Bradley, J. Wechsler. Incorporated by reference to Exhibit 10.6 to IMAX Corporation's Form 10-K, for the year ended December 31, 2011 (File No. 001-35066).
*10.8	Amended Employment Agreement, dated December 31, 2007, between IMAX Corporation and Bradley J. Wechsler.
10.9	Services Agreement, dated December 11, 2008, between IMAX Corporation and Bradley J. Wechsler. Incorporated by reference to Exhibit 10.8 to IMAX Corporation's Form 10-K, for the year ended December 31, 2008 (File No. 000-24216).
10.10	Services Agreement Amendment, dated February 14, 2011, between IMAX Corporation and Bradley J. Wechsler. Incorporated by reference to Exhibit 10.9 to IMAX Corporation's Form 10-K, for the year ended December 31, 2010 (File No. 001-35066).
*10.11	Services Agreement Amendment dated April 1, 2013, between IMAX Corporation and Bradley J. Wechsler.
10.12	Employment Agreement, dated July 1, 1998, between IMAX Corporation and Richard L. Gelfond. Incorporated by reference to Exhibit 10.10 to IMAX Corporation's Form 10-K, for the year ended December 31, 2012 (File No. 001-35066).
10.13	Amended Employment Agreement, dated July 12, 2000, between IMAX Corporation and Richard L. Gelfond. Incorporated by reference to Exhibit 10.11 to IMAX Corporation's Form 10-K for the year ended December 31, 2012 (File No. 001-35066).
10.14	Amended Employment Agreement, dated March 8, 2006, between IMAX Corporation and Richard L. Gelfond. Incorporated by reference to Exhibit 10.12 to IMAX Corporation's Form 10-K, for the year ended December 31, 2011 (File No. 001-35066).

10.15	Amended Employment Agreement, dated February 15, 2007, between IMAX Corporation and Richard L. Gelfond. Incorporated by reference to Exhibit 10.13 to IMAX Corporation's Form 10-K, for the year ended December 31, 2011 (File No. 001-35066).
*10.16	Amended Employment Agreement, dated December 31, 2007, between IMAX Corporation and Richard L. Gelfond.
10.17	Amended Employment Agreement, dated December 11, 2008, between IMAX Corporation and Richard L. Gelfond. Incorporated by reference to Exhibit 10.14 to IMAX Corporation's Form 10-K, for the year ended December 31, 2008 (File No. 000-24216).
10.18	Amended Employment Agreement, dated December 20, 2010, between IMAX Corporation and Richard L. Gelfond. Incorporated by reference to Exhibit 10.16 to IMAX Corporation's Form 10-K, for the year ended December 31, 2010 (File No. 001-35066).
10.19	Amended Employment Agreement, dated December 12, 2011, between IMAX Corporation and Richard L. Gelfond. Incorporated by reference to Exhibit 10.17 to IMAX Corporation's Form 10-K, for the year ended December 31, 2011 (File No. 001-35066).
*10.20	Employment Renewal Term Sheet, dated December 20, 2013, between IMAX Corporation and Richard L. Gelfond.
10.21	Employment Agreement, dated March 9, 2006, between IMAX Corporation and Greg Foster. Incorporated by reference to Exhibit 10.18 to IMAX Corporation's Form 10-K, for the year ended December 31, 2011 (File No. 001-35066).
*10.22	First Amending Agreement, dated December 31, 2007, between IMAX Corporation and Greg Foster.
10.23	Second Amending Agreement, dated April 29, 2010, between IMAX Corporation and Greg Foster. Incorporated by reference to Exhibit 10.31 to IMAX Corporation's Form 10-Q, for the quarter ended June 30, 2010 (File No. 000-24216).
10.24	Third Amending Agreement, dated June 12, 2013, between IMAX Corporation and Greg Foster. Incorporated by reference to Exhibit 10.21 to IMAX Corporation's Form 10-Q, for the quarter ended June 30, 2013 (File No. 001-35066).
10.25	Employment Agreement, dated May 14, 2007, between IMAX Corporation and Joseph Sparacio. Incorporated by reference to Exhibit 10.21 to IMAX Corporation's Form 10-K, for the year ended December 31, 2012 (File No. 001-35066).
10.26	First Amending Agreement, dated May 14, 2009, between IMAX Corporation and Joseph Sparacio. Incorporated by reference to IMAX Corporation's Form 10-K, for the year ended December 31, 2009 (File No. 000-24216).
10.27	Second Amending Agreement, dated May 14, 2010, between IMAX Corporation and Joseph Sparacio. Incorporated by reference to IMAX Corporation's Form 10-Q, for the quarter ended June 30, 2010 (File No. 000-24216).
10.28	Third Amending Agreement, dated January 23, 2012, between IMAX Corporation and Joseph Sparacio. Incorporated by reference to Exhibit 10.24 to IMAX Corporation's Form 10-K, for the year ended December 31, 2011 (File No. 001-35066).
*10.29	Employment Agreement, dated January 31, 2012, between IMAX Corporation and Andrew Cripps.
*10.30	Employment Renewal Term Sheet, dated January 23, 2014, between IMAX Corporation and Andrew Cripps.
*10.31	Employment Agreement, dated May 17, 1999, between IMAX Corporation and Robert D. Lister.
*10.32	Letter Agreement, dated August 21, 2000 between IMAX Corporation and Robert D. Lister.
*10.33	Amended Employment Agreement, dated April 4, 2001 between IMAX Corporation and Robert D. Lister.
10.34	Second Amended Employment Agreement, dated January 1, 2004, between IMAX Corporation and Robert D. Lister. Incorporated by reference to Exhibit 10.17 to IMAX Corporation's Registration Statement on Form S-4 (File No. 333-113141).
10.35	Third Amending Agreement, dated February 14, 2006, between IMAX Corporation and Robert D. Lister. Incorporated by reference to Exhibit 10.24 to IMAX Corporation's Form 10-K, for the year ended December 31, 2010 (File No. 001-35066).
*10.36	Fourth Amending Agreement, dated October 5, 2006, between IMAX Corporation and Robert D. Lister.

*10.37	Fifth Amending Agreement, dated December 31, 2007, between IMAX Corporation and Robert D. Lister.
10.38	Sixth Amending Agreement, dated December 31, 2009, between IMAX Corporation and Robert D. Lister. Incorporated by reference to Exhibit 10.25 to IMAX Corporation's Form 10-K for the year ended December 31, 2009 (File No. 000-24216).
*10.39	Employment Renewal Term Sheet, dated January 23, 2014, between IMAX Corporation and Robert D. Lister.
10.40	Statement of Directors' Compensation, dated June 5, 2012. Incorporated by reference to Exhibit 10.26 to IMAX Corporation's Form 10-Q for the quarter ended June 30, 2012 (File No. 001-35066).
10.41	Second Amended and Restated Credit Agreement, dated June 2, 2011 by and between IMAX Corporation, Wells Fargo Capital Finance Corporation and Export Development Canada. Incorporated by reference to Exhibit 10.37 to IMAX Corporation's Form 10-Q, for the quarter ended June 20, 2011 (File No. 001-35066).
10.42	Third Amended and Restated Credit Agreement, dated February 7, 2013, by and between IMAX Corporation, the Guarantors referred to therein, the Lenders referred to therein, Wells Fargo Bank National Association and Wells Fargo Securities, LLC. Incorporated by reference to Exhibit 10.28 to IMAX Corporation's Form 10-K, for year ended December 31, 2012 (File No. 001-35066).
*10.43	Securities Purchase Agreement, dated as of May 5, 2008, by and between IMAX Corporation, Douglas Family Trust, James Douglas and Jean Douglas Irrevocable Descendants' Trust, James E. Douglas, III, and K&M Douglas Trust.
10.44	Amendment No. 1 to Securities Purchase Agreement, dated December 1, 2008, by and between IMAX Corporation, Douglas Family Trust, James Douglas and Jean Douglas Irrevocable Descendants' Trust, James E. Douglas, III, and K&M Douglas Trust. Incorporated by reference to Exhibit 10.34 to IMAX Corporation's Form 10-K, for the year ended December 31, 2008 (File No. 000-24216).
*21	Subsidiaries of IMAX Corporation.
*23	Consent of PricewaterhouseCoopers LLP.
*24	Power of Attorney of certain directors.
*31.1	Certification Pursuant to Section 302 of the Sarbanes — Oxley Act of 2002, dated February 20, 2014, by Richard L. Gelfond.
*31.2	Certification Pursuant to Section 302 of the Sarbanes — Oxley Act of 2002, dated February 20, 2014, by Joseph Sparacio.
*32.1	Certification Pursuant to Section 906 of the Sarbanes — Oxley Act of 2002, dated February 20, 2014, by Richard L. Gelfond.
*32.2	Certification Pursuant to Section 906 of the Sarbanes — Oxley Act of 2002, dated February 20, 2014, by Joseph Sparacio.

* Filed herewith

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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

By /s/ JOSEPH SPARACIO
Joseph Sparacio
Executive Vice-President & Chief Financial Officer

Date: February 20, 2014

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on February 20, 2014.

/s/ RICHARD L. GELFOND	/s/ JOSEPH SPARACIO	/s/ JEFFREY VANCE
Richard L. Gelfond Chief Executive Officer & Director (Principal Executive Officer)	Joseph Sparacio Executive Vice President & Chief Financial Officer (Principal Financial Officer)	Jeffrey Vance Senior Vice-President, Finance & Controller (Principal Accounting Officer)
*	*	*
Bradley J. Wechsler Chairman of the Board & Director	Neil S. Braun Director	Eric A. Demirian Director
*	*	*
David W. Leebron Director	Garth M. Girvan Director	Michael Lynne Director
*	*	*
Michael MacMillan Director	I. Martin Pompadur Director	Marc A. Utay Director

By * /s/ JOSEPH SPARACIO
Joseph Sparacio
(as attorney-in-fact)

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IMAX CORPORATION
Schedule II
Valuation and Qualifying Accounts
(In thousands of U.S. dollars)

	Balance at beginning of year	Additions/ (recoveries) charged to expenses	Other additions/ (deductions)[1]	Balance at end of year
Allowance for net investment in leases				
Year ended December 31, 2011	$ 4,838	$ 1,521	$ (4,526)	$ 1,833
Year ended December 31, 2012	$ 1,833	$ (1,019)	$ 316	$ 1,130
Year ended December 31, 2013	$ 1,130	$ (624)	$ 300	$ 806
Allowance for financed sale receivables				
Year ended December 31, 2011	$ 66	$ —	$ 250	$ 316
Year ended December 31, 2012	$ 316	$ (109)	$ (141)	$ 66
Year ended December 31, 2013	$ 66	$ —	$ 171	$ 237
Allowance for doubtful accounts receivable				
Year ended December 31, 2011	$ 1,988	$ 788	$ (936)	$ 1,840
Year ended December 31, 2012	$ 1,840	$ 606	$ (882)	$ 1,564
Year ended December 31, 2013	$ 1,564	$ (35)	$ (642)	$ 887
Deferred income tax valuation allowance				
Year ended December 31, 2011	$ 7,929	$ (1,264)	$ (611)	$ 6,054
Year ended December 31, 2012	$ 6,054	$ 93	$ (34)	$ 6,113
Year ended December 31, 2013	$ 6,113	$ (341)	$ (1,018)	$ 4,754

(1) Deductions represent write-offs of amounts previously charged to the provision.

IMAX CORPORATION

EXHIBIT 10.8

AMENDED EMPLOYMENT AGREEMENT

This agreement amends the amended employment agreement (the “Agreement”) between Bradley J. 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 until December 31, 2009.

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 by the Board after consultation with the Executive. The Executive shall be considered for a bonus based upon performance during the years ending December 31, 2008 and 2009. If the Executive’s employment is terminated without Cause prior to the end of the term, the Executive shall be entitled to no less than a pro-rata portion of his median bonus target (i.e. one times salary).

3. **Stock Appreciation Rights.** The Executive is hereby granted 600,000 stock appreciation rights (“SARS”) which shall entitle the Executive to receive in cash from the Company any increase in the fair market value of the common shares of the Company from the fair market value thereof on December 31, 2007 to the date of exercise of the SARS. The SARS shall vest according to the following schedule: 150,000 on June 30, 2008, 150,000 on December 31, 2008, 150,000 on June 30, 2009 and 150,000 on December 31, 2009. All SARS will have a 10-year term and, to the extent applicable, shall be governed by the provisions of the Stock Option Plan of the Company (“SOP”), including for greater certainty, the provisions relating to the calculation of the fair market value of common shares of the Company; provided, however, that all vested SARS shall remain exercisable for a period of three (3) years after either a termination without Cause of the Executive or the non-renewal of this Agreement, and for one (1) year after a resignation by the Executive. The vesting of all SARS shall be accelerated upon a “change of control” as defined in the Agreement, and shall be governed, to the extent applicable, by the provisions in the Agreement regarding change of control. At any time and from time to time after vesting, but subject to the insider trading policy of the Company in effect at that time which shall apply to the SARS as if they were securities covered thereby, the Executive shall be entitled to exercise some or all of the vested SARS by delivering notice of exercise in writing to the General Counsel of the Company. Within 10 business days after receipt of such notice in writing, the Company shall pay to the Executive the amount by which the fair market value of the common shares of the Company has increased from the fair market value on December 31, 2007 to the fair market value on the date of such notice, net of any applicable withholdings and any other amounts owing at that time by the Executive to the Company. Notwithstanding anything to the contrary contained herein, the Company shall have the right but not the obligation to cancel at any time all, or from time to time any part, of the SARS, in any case upon notice in writing to the Executive and to replace the cancelled SARS with stock options, provided that (i) such options or shares have no less favorable (to the Executive) material terms and conditions as, and are in such number as are of equivalent value to, the cancelled SARS, and (ii) the Company cannot replace cancelled SARS with stock options if such options have a higher exercise price than the price of the common shares of the Company on December 31, 2007.

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

DATED as of December 31, 2007.

"Bradley J. Wechsler"

Bradley J. Wechsler

IMAX CORPORATION

Per: *"Garth M. Girvan"*

Name: Garth M. Girvan
Title: Director

IMAX CORPORATION

EXHIBIT 10.11

AMENDING AGREEMENT No.2

This Amendment to Services Agreement dated as of (the “Amending Agreement”) is made between:

IMAX CORPORATION, a corporation incorporated under the laws of Canada (hereinafter referred to as the “Company”),

and

BRAD WECHSLER (the “Executive”)

WHEREAS, the Company wishes to enter into this Amending Agreement No. 2 to amend and extend the Services Agreement dated as of December 11, 2008 , as amended by Amending Agreement dated February 14, 2011, (collectively the “Agreement”).

NOW THEREFORE, in consideration of the premises and of the mutual covenants and agreements herein contained, the parties hereto agree as follows:

1. The following will be added as the final “Whereas clause” on page 1 of the Agreement:

   “WHEREAS the Board and the Chairman each recognize and acknowledge their fiduciary duties to the Company.”

2. Section 1 of the Agreement shall be deleted and replaced with the following:

   1. Term. The term of the Agreement shall begin on the Effective Date and continue until such time as the Board determines to terminate the services of the Chairman. Any such termination shall be communicated to Chairman with ninety (90) days written notice, unless termination is made for Cause, as that term is defined in the Employment Agreement, in which case no notice shall be required. Unless the Chairman’s services are terminated as aforesaid, the Board agrees continue to nominate him for re-election to the Board and to make all reasonable efforts to solicit shareholder approval of his re-election to the Board.

3. Section 3 of the Agreement shall be deleted and replaced with the following:

   3. Compensation and Benefits. During the Term, Chairman shall receive a cash stipend of $230,000 for each year served as Chairman of the Board, payable in equal parts fifteen (15) days after the end of each calendar quarter (the “Fee”). The Company shall also reimburse Chairman for all reasonable out-of-pocket expenses in the performance of his obligations under this Agreement for which documentation reasonably satisfactory to IMAX is provided, including expenses relating to Chairman’s travel and performance of duties outside of his office in New York. The Company shall additionally provide Chairman with reimbursement of all reasonable automobile expenses, office space in the Company’s New York office and an assistant throughout the Term.

4. General. Except as amended herein, all other terms of the Agreement shall remain in full force and unamended.

DATED as of April 1, 2013

AGREED AND ACCEPTED:

/s/ Bradley J. Wechsler
Bradley J. Wechsler

IMAX CORPORATION

/s/ Robert D. Lister
Robert D. Lister

Chief Legal Officer
Chief Business Development Officer

/s/ Joseph Sparacio
Joseph Sparacio

Executive Vice President and
Chief Financial Officer

IMAX CORPORATION

EXHIBIT 10.16

AMENDED EMPLOYMENT AGREEMENT

This agreement amends the amended employment agreement (the "Agreement") between Richard L. 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 until December 31, 2009.

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 by the Board after consultation with the Executive. The Executive shall be considered for a bonus based upon performance during the years ending December 31, 2008 and 2009. If the Executive's employment is terminated without Cause prior to the end of the term, the Executive shall be entitled to no less than a pro-rata portion of his median bonus target (i.e. one times salary).

3. **Stock Appreciation Rights.** The Executive is hereby granted 600,000 stock appreciation rights ("SARS") which shall entitle the Executive to receive in cash from the Company any increase in the fair market value of the common shares of the Company from the fair market value thereof on December 31, 2007 to the date of exercise of the SARS. The SARS shall vest according to the following schedule: 150,000 on June 30, 2008, 150,000 on December 31, 2008, 150,000 on June 30, 2009 and 150,000 on December 31, 2009. All SARS will have a 10-year term and, to the extent applicable, shall be governed by the provisions of the Stock Option Plan of the Company ("SOP"), including for greater certainty, the provisions relating to the calculation of the fair market value of common shares of the Company; provided, however, that all vested SARS shall remain exercisable for a period of three (3) years after either a termination without Cause of the Executive or the non-renewal of this Agreement, and for one (1) year after a resignation by the Executive. The vesting of all SARS shall be accelerated upon a "change of control" as defined in the Agreement, and shall be governed, to the extent applicable, by the provisions in the Agreement regarding change of control. At any time and from time to time after vesting, but subject to the insider trading policy of the Company in effect at that time which shall apply to the SARS as if they were securities covered thereby, the Executive shall be entitled to exercise some or all of the vested SARS by delivering notice of exercise in writing to the General Counsel of the Company. Within 10 business days after receipt of such notice in writing, the Company shall pay to the Executive the amount by which the fair market value of the common shares of the Company has increased from the fair market value on December 31, 2007 to the fair market value on the date of such notice, net of any applicable withholdings and any other amounts owing at that time by the Executive to the Company. Notwithstanding anything to the contrary contained herein, the Company shall have the right but not the obligation to cancel at any time all, or from time to time any part, of the SARS, in any case upon notice in writing to the Executive and to replace the cancelled SARS with stock options, provided that (i) such options or shares have no less favorable (to the Executive) material terms and conditions as, and are in such number as are of equivalent value to, the cancelled SARS, and (ii) the Company cannot replace cancelled SARS with stock options if such options have a higher exercise price than the price of the common shares of the Company on December 31, 2007.

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

DATED as of December 31, 2007.

"Richard L. Gelfond"

Richard L. Gelfond

IMAX CORPORATION

Per: *"Garth M. Girvan"*

Name: Garth M. Girvan
Title: Director

IMAX CORPORATION

EXHIBIT 10.20

Richard Gelfond - CEO Compensation Term Sheet
December 20, 2013

Component	**Terms**
Term	Three years (2014 – 2016)
Salary	$1.1 million annually
Annual Incentive	100% of salary at target ($1.1 million) (Potential payout ranges from 0% - 200% based on performance goals determined annually by the Board)

Long-Term Incentive	$5.2 million annual grant date value
	• Stock Options - $3.9 million
	• RSUs (time vested) - $1.3 million
	Grant timing for 2014 grant: Likely to be expiration of current blackout period.
	Stock Options
	• Annual stock option grants made in 2014, 2015, and 2016, each vesting by the end of 2016
	  • 2014 grant vests one-third during each year (pursuant to same vesting schedule as the most recent option agreement), with the last tranche for the applicable year vesting no later December 31 of that year, over 3 years following grant
	  • 2015 grant vests one-half during each year (pursuant to the same vesting schedule as the most recent option grant), with the last tranche for the applicable year vesting no later than December 31 of that year, over 2 years following grant
	  • 2016 grant vests (pursuant to the same vesting schedule as the most recent option agreement), fully over one year, with the last tranche vesting no later than December 31, 2016.
	RSUs
	• Three years of grants made upfront on or around Dec. 31, 2013 ($3.9 million upfront value)
	• Grant vests one-third per year over 3 years following grant, based solely on time

Equity Treatment Upon CIC	Unvested equity (stock options and RSUs) vests automatically upon a CIC if employment is terminated without cause or for “good reason” (e.g., diminution of responsibilities, including change of reporting relationship) at any time after the CIC • Ungranted stock options paid out in cash at grant date value upon a CIC if employment is terminated without cause or for “good reason” (i.e., diminution of responsibilities, including change of reporting relationship) at any time after the CIC

Component	Terms
Post-Termination Option Treatment	Time remaining in which to exercise options following termination of employment: • Termination not-for-cause or resignation for Good Reason – 5, 4, and 3 years, respectively, from end of contract term for 2014, 2015, and 2016 grants • Non-renewal of contract by IMAX on at least substantially the same terms – same as above • Resignation by CEO without Good Reason – 2 years from resignation
Driver	• Paid by the Company ($100,000)
Miscellaneous	• Insurance on pension amount – to be clarified
Approximate Annual Target Economic Value	• Salary - $1.1 million • Annual Incentive - $1.1 million • Long-term Incentive - $5.2 million • Driver - $100,000 • **TOTAL - $7.5 million**
Other	• Definitions and other terms to continue substantially the same as provided in current employment agreement and to be incorporated into a new long form employment agreement.

IMAX CORPORATION

EXHIBIT 10.22

FIRST AMENDING AGREEMENT

This Amendment to Employment Agreement dated as of December 31st, 2007 (the “Amending Agreement”) is made between:

IMAX CORPORATION, a corporation incorporated under the laws of Canada (hereinafter referred to as the “Company”),

and

GREG FOSTER, of the City of Los Angeles in the State of California
(the “Executive”),

WHEREAS, the Company wishes to enter into this Amending Agreement to amend and extend the Employment Agreement dated as of March 1, 2006 between the Company and the Executive (together, the “Agreement”), whereunder the Executive provides services to the Company, and the Executive wishes to so continue such engagement, as hereinafter set forth;

NOW, THEREFORE, in consideration of good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Section 1.3 of the Agreement shall be deleted and replaced with the following:

“Section 1.3 <u>Term of Employment.</u> The Executive’s employment under this Agreement commenced on the 19th day of March, 2001 (the “Commencement Date”) and shall terminate on the earlier of (i) July 1, 2010, or (ii) the termination of the Executive’s employment pursuant to this Agreement. The period commencing as of the Commencement Date and ending on July 1, 2010 or such later date to which the term of the Executive’s employment under this Agreement shall have been extended is hereinafter referred to as the “Employment Term.”

2. Section 2.2 of the Agreement shall be amended to add the following sentence at the end of the first paragraph as follows:

“Notwithstanding the foregoing, in respect of each of the 2008 and 2009 fiscal years, the Executive shall be paid a Minimum Bonus equal to US$ 425,000 per year.

3. Section 2.3.1 of the Agreement shall be deleted and replaced with the following:

“Section 2.3.1 <u>Incentive Compensation.</u> On the later of : (a) December 31st, 2007 and (b) if, on December 31st, 2007, the Company has material information which has not been publicly disclosed, the date which is fifteen (15) days after the date on which such information is publicly disclosed, the Executive shall be granted 300,000 stock appreciation rights (“SARS”) which shall entitle the Executive to receive in cash from the Company any increase in the fair market value of the common shares of the Company from the fair market value thereof on December 31, 2007 to the date of exercise of the SARS. 150,000 SARS shall vest on each of July 1, 2009 and July 1, 2010. All SARS will have a 10-year term, commencing on the date of grant and, to the extent applicable, the SARs shall be governed by the provisions of the Stock Option Plan of the Company (the “Plan”), including for greater certainty, the provisions relating to the calculation of the fair market value of common shares of the Company, resignation or termination; <u>provided, however</u>, that to the extent any provisions of the Plan conflict with provisions of the Agreement, the provisions of the Agreement shall apply. The vesting of all SARS shall be accelerated upon a “change of control” as defined in the Plan and shall be governed, to the extent applicable, by the provisions in the

Agreement regarding change of control. At any time and from time to time after vesting, but subject to the insider trading policy of the Company in effect at that time which shall apply to the SARS as if they were securities covered thereby, the Executive shall be entitled to exercise some or all of the vested SARS by delivering notice of exercise in writing to one of the Chief Executives of the Company. Within 10 business days after receipt of such notice in writing, the Company shall pay to the Executive the amount by which the fair market value of the common shares of the Company has increased from the fair market value on the date of grant to the fair market value on the date of such notice, net of any applicable withholdings and any other amounts owing at that time by the Executive to the Company. Notwithstanding anything to the contrary contained herein, the Company shall have the right but not the obligation to cancel at any time all, or from time to time any part, of the SARS, in any case upon notice in writing to the Executive and to replace the cancelled SARS with a grant of stock options under the Plan (the "Options") provided that (i) such Options have no less favorable (to the Executive) material terms and conditions as, and are in such number as are of equivalent value to, the cancelled SARS, and (ii) the Company cannot replace cancelled SARs with stock options if such options have a higher exercise price than the fair market value of the common shares of the Company on December 31st, 2007.

In addition, if there is a "Change of Control" of the Company (as defined in the Agreement) on or before March 10, 2009, the Employee shall be paid an incentive bonus equal to the difference between the price of the Common Shares upon such Change of Control and the price of the Common Shares on March 10, 2006, multiplied by 50,000. Such incentive bonus shall be paid: (i) in a lump sum in the event Employee is terminated Without Cause following such Change of Control, or (ii) in three equal instalments on the third, fourth and fifth anniversaries of the grant date of the Options."

4. The Company agrees to hire a regular employee in the Human Resources Department who will be dedicated to and principally located in the Company's offices in Los Angeles.

5. The Company agrees that it will use its best efforts to ensure that the Executive is invited to attend regularly scheduled meetings of the Board of Directors of the Company to the extent that the Executive's attendance is agreeable to the Board and is not inconsistent with good corporate governance. The Executive understands and accepts that there may be meetings, or portions of meetings, where his attendance would be inappropriate and that he will not attend on these occasions.

Except as amended herein, all other terms of the Agreement shall remain in full force, unamended.

IN WITNESS WHEREOF, the Company and the Executive have duly executed and delivered this Amending Agreement on this 31st day of December, 2007.

IMAX CORPORATION

By: *"Bradley J. Wechsler"*
Name: Bradley J. Wechsler
Title: Co-Chief Executive Officer

By: *"Richard L. Gelfond"*
Name: Richard L. Gelfond
Title: Co-Chief Executive Officer

SIGNED, SEALED AND DELIVERED
in the presence of:

"Jill Ferguson"
Witness

EXECUTIVE:

"Greg Foster"
Greg Foster

IMAX CORPORATION

EXHIBIT 10.29

IMAX International Sales Corporation

January 31st, 2012

Andrew Cripps
19 Gerard Road
Barnes, London
SW13 9RQ
England

Dear Andrew:

I am very pleased to offer you the position of Executive Vice President, IMAX Corporation and President, Europe, Middle East and Africa of IMAX International Sales Corporation. The terms and conditions of your employment are summarized below:

Title:	Executive Vice President, IMAX Corporation and President, Europe, Middle East and Africa of IMAX International Sales Corporation
Reporting to:	Greg Foster on film related matters and Richard Gelfond on all other matters.
Term:	February 27, 2012 to February 27, 2014.
Base salary:	£475,000 (pounds sterling) per annum, to be paid in no less than equal monthly instalments and no later than by the end of each calendar month.
Bonus:	You will be eligible to participate in the IMAX Management Bonus Program, under which your target annual bonus is 100% of your Base Salary. In the first calendar year of employment, your bonus payment will be prorated based on your start date. Calculation of this bonus will be weighted as 50% based on personal performance and 50% based on company performance. Payment of this bonus is discretionary and requires that you be employed with IMAX on the payout date.
Stock Options:	Effective as soon as practicable after your start date of employment, you will be granted non-qualified options (the "Options") to purchase 400,000 shares of common stock of the Company (the "Common Shares"), at an exercise price per Common Share equal to the Fair Market Value, as defined in the Company's Stock Option Plan (the "Option Plan"). Twenty five percent (25%) of the Options shall vest and become exercisable on each of the first four anniversary dates of the grant date.

	The Options shall be subject to the terms and conditions of the Option Plan and the stock option agreement to be entered into between the Company and yourself as of the applicable date of grant pursuant to, and in accordance with, the terms of the Option Plan.
Benefits:	You will be eligible to receive benefits effective on the first day of your employment, at the Company's option either by local plan, or an allowance in lieu of benefits including: (a) Family Medical benefits for you and your eligible dependents; (b) Disability Insurance; (b) Life insurance coverage equal to £*500,000* (pounds sterling); and (c) Annual Pension allowance of £*20,000* (pounds sterling) for employer contributions to be paid out proportionately on each pay. We are in the process of setting up a pension scheme in the UK and you will convert over to that scheme upon implementation.
Car Allowance:	£850.00 (pounds sterling) per month in addition to operating, maintenance and insurance costs.
Taxes:	In accordance with legislation, you are responsible for filing the required tax returns with the appropriate tax authorities and all associated tax liabilities, as required by law. IMAX will provide the services of Company-designated tax consultant to assist in the preparation of UK and US tax returns for the term of this assignment.
Vacation/ Annual Leave:	You will be eligible to receive twenty five (25) days of paid annual leave per calendar year, exclusive of any statutory holidays observed in the UK. For 2012, this amount will be pro-rated based on your start date.
Location & Travel:	You will be located in or near London, England with significant travel to North America and other locations as necessary to grow and support the business of the Company. This requires a valid passport and the ability to travel to these locations at all times. You will be eligible for First Class travel to and from the UK to North America, Asia and Latin America and Business Class travel within Europe.
Equipment:	You will be provided a phone/blackberry and laptop computer.
References:	This offer is conditional upon the company receiving satisfactory results from its reference checks.

Background Check:	This offer is subject to the completion of a satisfactory background investigation including criminal check. (CRB check)
Confidentiality & Code of Ethics:	You will be required to execute IMAX's Confidentiality & Non- Competition Agreement and Code of Ethics (attached) prior to commencing work.

Please indicate your formal acceptance of the above terms by signing this offer and associated documents and faxing to Carrie Lindzon-Jacobs, IMAX Human Resources, at her confidential fax (905-403-6464) or alternatively you may scan and email the signed documents to clj@imax.com. Your facsimile and scanned signature will be considered valid and binding for all purposes.

Andrew, we're very excited at the prospect of you joining our team and are confident that IMAX will provide you with the opportunity for challenging and rewarding career growth.

Sincerely,

/s/ Richard L Gelfond

Rich Gelfond
CEO
IMAX Corporation

cc: Human Resources

I accept the offer of employment as written:

/s/ Andrew Cripps	Feb. 3, 2012
Andrew Cripps (Signature)	**Date**

<u>**IMAX CORPORATION**</u>

<u>**EXHIBIT 10.30**</u>

<u>Andrew Cripps Renewal – Term Sheet</u>

<u>January 23, 2014</u>

Term: Indefinite - Full time/Permanent

Base salary: £500,000 - eligible for annual review as part of regular company cycle starting Q1 2015.

Bonus target: 70%. Bonus is discretionary, based 50% on company performance and 50% on personal performance

LTIP:

Q1 2014: $65,000 worth of RSUs (20/25/25/30 4 year vest)

Q1 2015: $75,000 worth of RSUs (20/25/25/30 4 year vest)

Effective Q1 2016 will participate as a “regular” employee in the standard LTIP grant process.

Benefits: We will continue to pay for health benefits, life insurance and pension. If Andrew reaches a pension cap we will contribute the same amount as we currently are to his pension to a Life Insurance product or something else instead.

Car allowance: No change to current £850 per month + expenses

Termination/Severance: In the case of termination without cause, we will provide Andrew with working notice or pay in lieu of notice equal to six months +1 month of base salary and benefits for every full year of service from the effective date of the new agreement to a max of 12 months in total.

Resignation: Andrew will be required to provide us with 6 months’ notice of resignation

Non-compete / confidentiality / non-solicit: We will get as much protection for IMAX as possible under UK law

IMAX CORPORATION

EXHIBIT 10.31

EMPLOYMENT AGREEMENT

This Employment Agreement dated and effective as of May 17, 1999 (the “Agreement”), is made between

IMAX LTD.
a corporation organized
under the laws of Ontario
(hereinafter referred to as the “Company”)

OF THE FIRST PART

And

IMAX CORPORATION
a corporation organized
under the laws of Canada
(Imax Corporation, together with all its subsidiaries and affiliates are hereinafter referred to as “Imax”)

OF THE SECOND PART

And

ROBERT D. LISTER
of the Town of Scotch Plains in the
State of New Jersey
(hereinafter referred to as the “Executive”)

OF THE THIRD PART

WHEREAS, the Company wishes to enter into this Agreement to engage the Executive to provide services to the Company, and the Executive wishes to be so engaged, pursuant to the terms and conditions hereinafter set forth;

AND WHEREAS the Executive is engaged to provide services to the Company as its Senior Vice President, Legal Affairs and General Counsel;

NOW, THEREFORE, in consideration of the covenants and agreements hereinafter set forth, the parties hereto agree as follows:

1. **EMPLOYMENT AND DUTIES**

1.1 Employment. The Company hereby agrees to employ the Executive, and the Executive hereby agrees to serve, as Senior Vice President, Legal Affairs and General Counsel of the Company, upon the terms and conditions herein contained. The Executive's primary responsibilities shall be to organize and manage the legal affairs generally of the Company and to perform such other duties commensurate with his position with the Company as are reasonably designated by the senior operating officer of the Company, which position is currently held by the Co-Chief Executive Officers of the Company. The Executive shall serve at all times as the Company's chief legal officer and all members of the Company's Legal Department shall report, directly or indirectly, to the Executive. The Executive agrees to serve the Company faithfully and to the best of his ability under the direction of the senior operating officer of the Company. The Executive shall report to the senior operating officer of the Company on substantially all of his activities. During his employment, the Executive will be appointed as an Officer of Imax Corporation, although he will not be employed by that entity.

1.2 Exclusive Services. Except as may otherwise be approved in advance by the senior operating officer of the Company, the Executive shall devote his full working time throughout the Employment Term (as defined in Section 1.3) to the services required of him hereunder. The Executive shall render his services exclusively to the Company and its subsidiaries and affiliates during the Employment Term, and shall use his best efforts, judgment and energy to improve and advance the business and interests of the Company in a manner consistent with the duties of his position.

1.3 Term of Employment. The Executive's employment under this Agreement shall commence on the date hereof (the "Commencement Date") and shall terminate on the earlier of (i) the second anniversary of the Commencement Date, or (ii) termination of the Executive's employment pursuant to this Agreement. The period commencing as of the Commencement Date and ending on the second anniversary of the Commencement Date or such later date to which the term of the Executive's employment under this Agreement shall have been extended is hereinafter referred to as the "Employment Term".

1.4 Place of Employment. During the Employment Term the Executive will, subject to work-related travel, principally work at the Company's offices in New York City and, as requested or as required by circumstance, at the offices of the Company in Mississauga and Los Angeles. The Executive shall spend the balance of his working time in such location or locations as are necessary and appropriate for the performance of the duties of the Executive, subject to the direction of the senior operating officer of the Company.

1.5 Reimbursement of Expenses. The Company shall reimburse the Executive for reasonable travel and other business expenses incurred by him in the fulfilment of his duties hereunder in accordance with Company practices consistently applied.

2. COMPENSATION

2.1 Base Salary. During his employment under this Agreement, the Executive shall be paid a base salary (“Base Salary”) of no less than US$ 200,000 subject to annual review. The Executive shall be paid no less frequently than monthly in accordance with the Company’s payroll practices.

2.2 Bonus. In addition to the Base Salary, during the Employment Term the Executive shall be entitled to participate in the management bonus plan of the Company which applies to senior executives of the Company. The Executive shall participate in that plan on the basis that the target annual bonus pool eligibility of the Executive shall be 30% of his Base Salary in any year, which will entitle the Executive to earn a bonus, according to the terms of the bonus plan, of up to 45% of his Base Salary. Notwithstanding the foregoing, the bonus to be paid to the Executive in respect of 1999 shall be not less than US$ 38,100 (the “Guaranteed Bonus”), which shall be paid at the time bonuses are scheduled to be paid to other senior managers participating in the plan. The Executive acknowledges that the said bonus plan may be changed from time to time by the Company without notice to or any requirement to obtain the consent of the Executive and without the Executive having any claim against the Company with respect to any changes thereto, including any claims of Constructive Dismissal. Following any changes to the said plan, the Executive will be given notice of the changes in the same manner as are other executives of the Company of the Executive’s stature. Any annual bonus will be prorated for any part calendar year of employment hereunder.

2.3 Stock Options. Effective as soon as is practicable after the Commencement Date, the Executive shall be granted non-qualified options (the "Options") to purchase 25,000 shares of common stock of Imax Corporation (the "Common Shares"), at an exercise price per Common Share equal to the Fair Market Value, as defined in Imax Corporation's Amended Stock Option Plan (the "Option Plan"). Twenty percent (20%) of the Options shall vest and become exercisable on each of the first five anniversary dates of the grant date. Effective on the first anniversary of the Commencement Date, the Executive shall be granted non-qualified options to purchase at least 15,000 Common Shares at an exercise price per Common Share equal to the Fair Market Value on that date and subject to a five year, 20% per annum vest schedule. The options granted hereunder shall be subject to the terms and conditions of the Option Plan and the stock option agreements to be entered into between the Company and the Executive as of the applicable date of grant pursuant to, and in accordance with, the terms of the Option Plan; provided, however that any of the said options, together with all other options granted to the Executive under Imax Corporation's Option Plan, which are not yet exercisable shall become immediately exercisable in the event of both of (a) a change in control of the Company i.e. any person, or group of persons acting in concert, other than Bradley J. Wechsler and Richard L. Gelfond, acquiring greater than fifty percent (50%) of the outstanding common shares of Imax Corporation, whether by direct or indirect acquisition or as a result of a merger or reorganization and (b) the occurrence of one or more of the following: (i) Bradley J. Wechsler and Richard L. Gelfond cease to be Co-Chief Executive Officers of the Company; (ii) the Executive's termination from the Company Without Cause; (iii) the diminution of the Executive's title and/or responsibilities;or (iv) the Executive being asked to relocate more than 30 miles from his then current office in New York.

3. EXECUTIVE BENEFITS

3.1 General. The Executive shall, during the Employment Term, receive Executive benefits including vacation time, medical benefits, disability and life insurance, all at least consistent with those established by the Company for its other key executives at a level commensurate with that of the Executive. Without limitation, however, the Executive shall be entitled to the following benefits:

(i) the greater of: four (4) weeks' paid vacation, or the amount of paid vacation to which the Executive is entitled in accordance with the Company's vacation policy, throughout the Employment Term

(ii) such audio/visual, computer, fax, cellular telephone and other like equipment as may be necessary in connection with the performance of the Executive's responsibilities shall be made available to the Executive;

(iii) a monthly automobile allowance of US$ 850.00, together with all associated operating expenses and parking garage expenses (which allowance can, in total or a portion thereof, at Executive's option, be taken as additional compensation);

(iv) a full time administrative assistant located in the New York offices of the Company; and

(v) an office at the Company's Headquarters in Mississauga.

4. TERMINATION OF EMPLOYMENT

Definitions. As used in this Article 4, the following terms have the following meanings:

(a) "Termination Payment" means each of the following amounts to the extent that such amounts are due to be paid to and including the date upon which the Executive's employment is terminated (i) Base Salary and automobile allowance, (ii) unreimbursed business expenses as outlined in Section 1.5, (iii) any amounts to be paid pursuant to the terms of any benefit plans of the Company in which the Executive participates or pursuant to any policies of the Company applicable to the Executive, including the management bonus plan referred to in Section 2.2, calculated up to and including such date; and (iv) any outstanding vacation pay calculated up to and including such date.

(b) "Without Cause" means termination of the Executive's employment by the Company other than for Cause (as defined in Section 4.2), death or disability (as set forth in Section 5).

4.1 Termination Without Cause

4.1.1 General. Subject to the provisions of Sections 4.1.2, 4.1.3 and 6, if, prior to the expiration of the Employment Term, the Executive's employment is terminated by the Company Without Cause, the Company shall pay the Termination Payment then due to be paid within 30 days of the date of termination and shall continue to pay the Executive the Base Salary, automobile allowance and Executive's target bonus (the "Target Bonus") (on a pro-rated basis) pursuant to the terms of the management bonus plan referred to in Section 2.2, for the remainder of the Employment Term (such period being referred to hereinafter as the "Severance Period"), either at such intervals as the same would have been paid had the Executive remained in the active service of the Company including the applicable portion of the Target Bonus, or, at the option of the Company, by immediate payment to the Executive of the remaining Base Salary, automobile allowance and Target Bonus which would be payable during the Severance Period, provided however that the Severance Period shall be a minimum of six months in duration. Upon such termination, the Executive shall also be entitled to continue to receive his employment benefits referred to in Section 3.1 at the Company's expense (to the extent paid for by the Company as at the date of termination) and subject to the consent of the applicable insurers.

The Executive agrees that the Company may deduct from any payment of Base Salary to be made during the Severance Period the benefit plan contributions which are to be made by the

Executive during the Severance Period in accordance with the terms of all benefit plans for the minimum period prescribed by law. The Executive shall have no further right to receive any other compensation or benefits after such termination of employment except as are necessary under the terms of the Executive benefit plans or programs of the Company or as required by applicable law. Payment of Base Salary, automobile allowance and Target Bonus and the continuation of the aforementioned Executive benefits during the Severance Period as outlined above shall be deemed to include all termination and severance pay to which the Executive is entitled pursuant to applicable statute law and common law. The date of termination of employment Without Cause shall be the date specified in a written notice of termination to the Executive and does not include the Severance Period.

4.1.2 Fair and Reasonable The parties confirm that notice and pay in lieu of notice provisions contained in Subsection 4.1.1 are fair and reasonable and the parties agree that upon any termination of this Agreement Without Cause, the Executive shall have no action, cause of action, claim or demand against the Company or Imax or any other person as a consequence of such termination other than to enforce Section 4.1.1.

4.1.3 Conditions Applicable to the Severance Period. If, during the Severance Period, the Executive breaches his obligations under Article 7 of this Agreement, the Company may, upon written notice to the Executive, terminate the Severance Period and cease to make any further payments or provide further benefits as described in Section 4.1.1.

4.2 Termination for Cause; Resignation. At any time prior to the expiration of the Employment Term the Executive's employment may be terminated by the Company immediately upon notice for Cause. If, prior to the expiration of the Employment Term, the Executive's employment is terminated by the Company for Cause, or the Executive resigns from his employment hereunder, the Executive shall only be paid, within 15 days of the date of such termination or resignation, the Termination Payment, then due to be paid. The Executive shall have no further right to receive any other compensation or benefits after such termination or resignation of employment, except as determined in accordance with the terms of the Executive benefit plans or programs of the Company. The date of termination for Cause shall be the date specified in a written notice of termination to the Executive, which notice shall set forth the basis for the termination. The date of resignation shall be sixty (60) days following the date or receipt of notice of resignation from the Executive to the Company.

4.3 Cause. Termination for “Cause” shall mean termination of the Executive’s employment because of:

(i) the cessation of the Executive’s ability to work legally in the United States or Canada other than for reasons not within the Executive’s reasonable control;

(ii) any act or omission that constitutes a material breach by the Executive of any of his obligations under this Agreement, which breach has not been remedied within thirty (30) days after written notice specifying such breach has been given to the Executive by the Company;

(iii) the continued failure or refusal of the Executive to perform the duties reasonably required of him as Senior Vice President, Legal Affairs and General Counsel;

(iv) any material violation by the Executive of any Canadian or United States federal, provincial, state or local law or regulation applicable to the business of the Company or Imax, which violation is injurious to the financial condition or business reputation of the Company or Imax, or the Executive’s conviction of a felony or commission of an indictable offense for which he is not pardoned, or any perpetration by the Executive of a common law fraud;

(v) any other action by the Executive which is materially injurious to the financial condition or business reputation of, or is otherwise materially injurious to, the Company or Imax, or which results in a violation by the Company or Imax of any Canadian or United States federal, provincial, state or local law or regulation applicable to the business of the Company or Imax, which violation is injurious to the financial condition or business reputation of the Company or Imax.

4.4 General Upon any termination of the Executive’s employment, the Executive will immediately cease to be an Officer of the Company and Imax Corporation and will sign appropriate forms of resignation indicating this.

5. DEATH OR DISABILITY

In the event of termination of employment by reason of death or Permanent Disability (as hereinafter defined), the Executive (or his estate, as applicable) shall be paid the Termination Payment then due to be paid within 30 days of the date of such termination of employment. Both the employment of the Executive and the entitlement of the Executive to be paid amounts under Section 4.1.1, in respect of the Severance Period, shall terminate immediately and without notice upon his death or upon his Permanent Disability (as hereinafter defined). Any benefits thereafter shall be determined in accordance with the benefit plans maintained by the Company, and the Company shall have no further obligation hereunder. For purposes of this Agreement, “Permanent Disability” means a physical or mental disability or infirmity of the Executive that prevents the normal performance of substantially all his duties under this Agreement as an Executive of the Company, which disability or infirmity shall exist for any continuous period of 180 days. The parties agree that such Permanent Disability cannot be accommodated short of undue hardship.

6. MITIGATION

Subject to Section 7.1 and 7.2, the Executive shall be required to mitigate the amount of any payment provided for in Section 4.1.1 (other than the Termination Payment) by seeking other employment or remunerative activity reasonably comparable to his duties hereunder, and, upon Executive’s obtaining such other employment or remunerative activityany payment to be made by the Company under Section 4.1.1 (other than the Termination Payment) will be reduced by a total of one-half (1/2) of the amount of such payment prior to the Executive’s obtaining new employment or remunerative activity. The Executive shall be required as a condition of any payment under Section 4.1.1 (other than the Termination Payment) promptly to disclose to the Company any such mitigation compensation.

7. NON-SOLICITATION, CONFIDENTIALITY, NON-COMPETITION

7.1 Non-solicitation. For so long as the Executive is employed by the Company or receiving payment hereunder and continuing for two years thereafter, notwithstanding whether the Executive's employment is terminated with or without Cause or whether the Executive resigns, the Executive shall not, without the prior written consent of the Company and Imax, directly or indirectly, for the Executive's own benefit or the benefit of any other person, whether as a sole proprietor, member of a partnership, stockholder or investor (other than a stockholder or investor owning not more than a 5% interest), officer or director of a corporation, or as a trustee, executive, associate, consultant, principal or agent of any person, partnership, corporation or other business organization or entity other than the Company or Imax: (x) solicit or endeavour to entice away from Imax, any person or entity who is, or, during the then most recent 12-month period, was employed by, or had served as an agent or consultant of, the Company and/or Imax; or (y) solicit, endeavour to entice away or gain the custom of, canvass or interfere in the Company's and/or Imax's relationship with any person or entity who is, or was within the then most recent 12-month period, a supplier, customer or client (or reasonably anticipated to become a supplier, customer or client) of the Company and/or Imax and with whom the Executive had dealings during his employment with the Company. The Executive confirms that all restrictions in this Section are reasonable and valid and waives all defences to the strict enforcement thereof.

7.2 Non-Competition For so long as the Executive is employed by the Company or receiving payment hereunder and continuing for a period of two years after the date of the termination of the employment of the Executive with the Company, notwithstanding whether the Executive's employment is terminated with or without Cause or whether the Executive resigns, the Executive shall not, without the prior written consent of the Company and Imax, directly or indirectly anywhere within Canada, the United States, Europe or Asia, as a sole proprietor, member of a partnership, stockholder or investor (other than a stockholder or investor owning not more than a 5% interest), officer or director of a corporation, or as a trustee, Executive, associate, consultant, principal or agent of any person, partnership, corporation or other business organization or entity other than Imax, render any service to or in any way be affiliated with a competitor (or any person or entity that is, at the time the Executive would otherwise commence rendering services to or become, affiliated with such person or entity, reasonably anticipated to become a competitor) of Imax (a "Competitor"), which is engaged or reasonably anticipated to become engaged in designing or supplying large format theatres, designing or distributing projection or sound systems for large format theatres, designing or supplying motion simulation attractions or producing or distributing films specifically for large format theatres or motion simulation attractions. The Executive confirms that all restrictions in this Section are reasonable and valid and waives all defenses to the strict enforcement thereof.

7.3 Confidentiality. The Executive covenants and agrees with Imax that he will not at any time during employment hereunder or thereafter, except in performance of his obligations to the Company hereunder or with the prior written consent of the senior operation officer of the Company, directly or indirectly, disclose or use any secret or confidential information that he may learn or has learned by reason of his association with Imax. The term “confidential information’ includes information not previously disclosed to the public or to the trade by Imax’s management, or otherwise in the public domain, with respect to Imax’s products, facilities, applications and methods, trade secrets and other intellectual property, systems, procedures, manuals, confidential reports, product price lists, customer lists, technical information, financial information, business plans, prospects or opportunities, but shall exclude any information which (i) is or becomes available to the public or is generally known in the industry or industries in which Imax operates other than as a result of disclosure by the Executive in violation of his agreements under this Section 7.3 or (ii) the Executive is required to disclose under any applicable laws, regulations or directives of any government agency, tribunal or authority having jurisdiction in the matter or under subpoena or other process of law. The Executive confirms that all restrictions in this Section 7.3 are reasonable and valid and waives all defences to the strict enforcement thereof.

7.4 Exclusive Property. The Executive confirms that all confidential information is and shall remain the exclusive property of Imax. All business records, papers and documents regardless of the form of their records kept or made by Executive relating to the business of Imax shall be and remain the property of Imax, and shall be promptly returned by the Executive to Imax upon any termination of employment.

7.5 Injunctive Relief. Without intending to limit the remedies available to Imax, the Executive acknowledges that a material breach of any of the covenants contained in Article 7 will result in material and irreparable injury to Imax for which there is no adequate remedy at law, that it will not be possible to measure damages for such injuries precisely and that, in the event of such a breach or threat thereof, Imax shall be entitled to seek a temporary restraining order and/or a preliminary, interim or permanent injunction restraining the Executive from engaging in activities prohibited by Article 7 or such other relief as may be required specifically to enforce any of the covenants in Article 7. The Executive waives any defences to the strict enforcement by Imax of the covenants contained in Article 7. If for any reason it is held that the restrictions under Article 7 are not reasonable or that consideration therefor is inadequate, such restrictions shall be interpreted or modified to include as much of the duration and scope identified in Article 7 as will render such restrictions valid and enforceable.

7.6 Representation. The Executive represents and warrants that he is not subject to any non-competition covenant or any other agreement with any party which would in any manner restrict or limit his ability to render the services required of him hereunder.

8. <u>MISCELLANEOUS</u>

8.1 Notices. All notices or communications hereunder shall be in writing, addressed as follows:

To the Company:	Imax Ltd. 2525 Speakman Drive Mississauga, Ontario L5K 1B1	
	Telecopier No: Attention:	(905) 403-6468 Legal Department
To Imax:	Imax Corporation 2525 Speakman Drive Mississauga, Ontario L5K 1B1	
	Telecopier No: Attention:	(905) 403-6468 Legal Department
To the Executive:		
	Rob Lister 60 Clydesdale Road Scotch Plains, NJ 07076	
	Telecopier No:	(908) 322-9034

All such notices shall be conclusively deemed to be received and shall be effective, (i) if sent by hand delivery, upon receipt or (ii) if sent by registered or certified mail, on the fifth day after the day on which such notice is mailed.

8.2 Severability. Each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be prohibited by or invalid under applicable law, such provision will be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement. The parties agree that Sections 4, 5, 6 and 7 shall survive the termination of this Agreement.

8.3 Assignment. This Agreement shall be binding upon and inure to the benefit of the heirs and representatives of the Executive and the assigns and successors of the Company and Imax, if any are permitted by law and provided that the Company and Imax and its assignee shall each remain liable to the Executive in the event of any assignment, but neither this Agreement nor any rights hereunder shall be assignable or otherwise subject to hypothecation by the Executive. The Executive expressly agrees that each of Imax and the Company my assigne any of its rights, interest or obligations hereunder to any affiliate of either of them without the consent of the Executive; provide, however, that no such assignment shall relieve the assignor of any of its obligations hereunder.

8.4 Entire Agreement: Amendment. This Agreement represents the entire agreement of the parties and shall supersede any and all previous contracts, arrangements or understandings between the Company and the Executive. This Agreement may only be amended at any time by mutual written agreement of the parties hereto.

8.5 Withholding. The payment of any amount pursuant to this Agreement shall be subject to any applicable withholding and payroll taxes, and such other deductions as may be required under applicable law or the Company’s Executive benefit plans, if any.

8.6 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein without regard to principles of conflicts of laws.

IN WITNESS WHEREOF, the Company and the Executive have duly executed and delivered this Agreement as of the 19th day of April, 1999.

IMAX LTD:

By: *"John M. Davison"* *seal*
Name: John M. Davison
Title: Chief Financial Officer

By: *"Mary C. Sullivan"*
Name: Mary C. Sullivan
Title: Vice President, Human Resources & Administration

IMAX CORPORATION:

By: *"John M. Davison"* *seal*
Name: John M. Davison
Title: Chief Financial Officer

By: *"Mary C. Sullivan"*
Name: Mary C. Sullivan
Title: Vice President, Human Resources & Administration

SIGNED, SEALED AND DELIVERED
in the presence of:

"Mary C. Sullivan"
Witness

EXECUTIVE:

"Robert D. Lister"
Robert D. Lister

IMAX CORPORATION
2525 Speakman Drive, Sheridan Park
Mississauga, Ontario, Canada L5K 1B1

To:	Robert D. Lister
From:	Rich Gelfond and Brad Wechsler
Date:	August 21, 2000

As we discussed a few weeks back, among our top priorities as we go through the process of evaluating potential strategic options for the Company is the retention of our key staff members. Toward this end, we are providing our most valuable employees with incentives to remain with the Company during this process and to be committed to, and focused on, advancing the business and supporting our continued operations. Thus, the Company is pleased to offer you the following package of incentive payments and benefits, on and subject to the terms and conditions set forth below. Please read these terms and feel free to call us or Mary Sullivan with any questions you may have.

2000 Bonus: We are committing that the Company's management bonus plan will be honored this year and bonuses for the calendar year 2000 will be paid in accordance with past practice. If there is a Change of Control of the Company during 2000, we will ensure that any successor commits to honoring the management bonus plan for your calendar year 2000 bonus.

Retention Bonus: You shall be eligible to receive a retention bonus of up to a total of US$215,000, based upon the following terms: (a) On July 1, 2001, you shall receive US$107,500, provided that you have not resigned from the Company or been terminated For Cause prior thereto, regardless of whether there has been a Transaction; (b) if there is a Transaction, and you are terminated Without Cause after July 1, 2001, but within two (2) years of the completion of the Transaction, you shall receive (in addition to the July 1 payment) an additional US$107,500; (c) if there is a Transaction and you are terminated Without Cause prior to July 1, 2001, you shall receive (in lieu of the July 1 payment) US$215,000.

Severance: If a Transaction occurs and you are terminated Without Cause by the Company within two (2) years after the completion of the Transaction, you will be entitled to a severance benefit at least equal to six (6) months of your base salary (at the time of such termination). This benefit will be payable, at the Company's option, in either a lump sum or by salary continuation in accordance with the Company's normal payroll procedures. This payment shall be in addition to any bonus that may be payable to you pursuant to the preceding paragraph. In the event you are entitled to other benefits in the nature of severance, whether under contract or law, the severance benefit payable under this paragraph shall be offset by the amount of such other severance benefits.

The Company will require any successor to expressly assume and agree to perform the obligations under this letter agreement.

Please make sure you have read the above and the attached terms and conditions and indicate your agreement with all of such terms and conditions by executing this letter agreement in the space provided below and returning it to Mary Sullivan.

Sincerely,

IMAX LTD.

"Bradley J. Wechsler

By: Bradley J. Wechsler
Title: Co-CEO

Agreed to and accepted,
this 23rd day of August 2000:

"Robert D. Lister

Robert D. Lister

Terms and Conditions of Retention Incentive Package

Definitions:

For purposes of this letter agreement, a **"Change of Control"** of the Company will be deemed to occur if (a) (i) there is a sale of more than 50% of the assets of the Company to a third party (other than to a person or group including Brad Wechsler or Rich Gelfond); or (ii) any person or group (other than a person or group including Brad Wechsler or Rich Gelfond) acquires 50% or more of the voting power of the outstanding stock of the Company or the shareholders of the Company immediately prior to any corporate transaction cease to own at least 50% of the voting power of the outstanding stock of the surviving entity (any of the above, a **"Transaction"**); and (b) immediately after the Transaction is completed, Brad Wechsler and Rich Gelfond either (i) are no longer co-CEOs of the Company or (ii) do not have the power to determine your year-end bonus for calendar year 2000.

For purposes of this letter agreement, termination **"Without Cause"** shall mean termination of your employment for any reason or no reason, including by virtue of the Company's decision not to renew or extend your employment agreement, other than For Cause

For purposes of this letter agreement, termination "**For Cause"** shall have the same meaning as defined in your employment agreement, and shall include as further grounds your breaching of the confidentiality provision of this letter agreement.

Legal Terms and Conditions:

The payments and benefits referred to herein are one-time-only payments and benefits, applicable to just one (1) Transaction and not to any subsequent such event.

The terms of this letter agreement are strictly confidential. Your disclosure of these terms to any other person (aside from your immediate family, your legal, financial or other advisors or as required by law) shall subject you to the revocation of any or all of the payments and benefits provided herein, at the sole discretion of the Company.

This letter agreement, together with your employment agreement, shall constitute the entire agreement between the parties hereto with respect to the subject matter of benefits in connection with a Change of Control or Transaction, and all promises, representations, understandings, arrangements and prior arrangements relating to such subject matter are merged and superseded by such agreements.

Any payments made under this letter agreement shall be subject to all applicable federal, state, city or other taxes required under relevant law.

This letter agreement shall be binding on and inure to the benefit of the Company and its successors and permitted assigns. This agreement shall also be binding on and inure to the benefit of you and your heirs, executors, administrators and legal representatives.

IMAX CORPORATION

EXHIBIT 10.33

AMENDING AGREEMENT

This Amendment to Employment Agreement dated and effective as of April 4, 2001 (the “Amending Agreement”) is made between:

IMAX CORPORATION, a corporation incorporated under the laws of Canada (hereinafter referred to as the “Company”),

And

ROBERT D. LISTER (the “Executive”)

WHEREAS, the Company wishes to enter into this Amending Agreement to amend and extend the Employment Agreement dated as of May 17, 1999, between Imax Ltd, the Company and Executive (the “Agreement”), whereunder the Executive provides services to the Company, and the Executive wishes to so continue such engagement, as hereinafter set forth;

AND WHEREAS, on January 1, 2001 Imax Ltd. assigned all of its rights and obligations pursuant to the Agreement to the Company, and the Executive has consented to such assignment;

NOW, THEREFORE, in consideration of good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Section 1.1 of the Agreement shall be amended by the addition of the following language:

“Effective April 2, 2001 the Executive shall serve as the Executive Vice President, Legal Affairs, General Counsel and Corporate Secretary.”

2. Section 1.3 of the Agreement shall be deleted and replaced with the following:

“Section 1.3 <u>Term of Employment.</u> The Employee’s employment under this Agreement commenced on the 17th day of May, 1999 (the “Commencement Date”) and shall terminate on the earlier of (i) December 31, 2003, or (ii) the termination of the Employee’s employment pursuant to this Agreement. The period commencing as of the Commencement Date and ending on December 31, 2003 or such later date to which the term of the Employee’s employment under this Agreement shall have been extended is hereinafter referred to as the “Employment Term.”

3. Section 2.1 of the Agreement shall be deleted and replaced with the following:

“Section 2.1 <u>Base Salary.</u> Effective May 17, 2001, the Executive’s Base Salary shall be US$ 240,000. The co-CEO’s (or their successor(s)) and the Executive shall revisit the Executive’s Base Salary on January 1, 2002 and January 1, 2003.”

4. Section 4.1.1 of the Agreement shall be amended by deleting the first and second paragraphs and replacing as follows:

“ Section 4.1.1 General. Subject to the provisions of Sections 4.1.2, 4.1.3 and 6, if prior to the expiration of the Employment Term, the Executive’s employment is terminated by the Company Without Cause, the Company shall pay the Termination Payment then due to be paid within 30 days of the date of termination and shall continue to pay the Executive the Base Salary, automobile allowance and Executive’s target bonus (the “Target Bonus”) (on a prorated basis) pursuant to the terms of the management bonus plan referred to in Section 2.2, for the remainder of the Employment Term (such period being referred to hereinafter as the “Severance Period”), either at such intervals as the same would have been paid had the Executive remained in the active service of the Company including the applicable portion of the Target Bonus, or, at the option of the Company, by immediate payment to the Employee of the remaining Base Salary, automobile allowance and Target Bonus which would be payable during the Severance Period; provided however that the Severance Period shall be a minimum of twelve (12) months in duration. Upon such termination, the Executive shall also be entitled to continue to receive his employment benefits at the Company’s expense (to the extent paid for by the Company as at the date of termination) and subject to the consent of the applicable insurers. The Executive agrees that the Company may deduct from any payment of Base Salary to be made during the Severance Period the benefit plan contributions which are to be made by the Executive during the Severance Period in accordance with the terms of all benefit plans for the minimum period prescribed by law. The Executive shall have no further right to receive any other compensation after such termination except as are necessary under the terms of the Executive benefit plans or programs of the Company or as required by applicable law. Payment of Base Salary, automobile allowance and Target Bonus and the continuation of the aforementioned Executive benefits during the Severance Period as outlined above shall be deemed to include all termination and severance pay to which the Executive is entitled pursuant to applicable statute law and common law. The date of termination of employment Without Cause shall be the date specified in a written notice of termination to the Executive and does not include the Severance Period.

Except as amended herein, all other terms of the Agreement and Amending Agreement shall remain in full force, unamended.

IN WITNESS WHEREOF, the Company and the Executive have duly executed and delivered this Amending Agreement on this 4th day of April, 2001

IMAX CORPORATION

By: *“Richard L. Gelfond”*
Name: Richard L. Gelfond
Title: Co-Chairman & Co-Chief Executive Officer

SIGNED, SEALED AND DELIVERED
in the presence of:

“Yasmin Best”
Witness

EXECUTIVE:

“Robert D. Lister”
Robert D. Lister

IMAX CORPORATION

EXHIBIT 10.36

FOURTH AMENDING AGREEMENT

This Amendment to Employment Agreement dated as of October 5, 2006 (the “Amending Agreement”) is made between:

IMAX CORPORATION, a corporation incorporated under the laws of Canada (hereinafter referred to as the “Company”),

and

ROBERT D. LISTER (the “Executive”)

WHEREAS, the Company wishes to enter into this Amending Agreement to amend and extend the Employment Agreement dated as of May 17, 1999 between Imax Ltd, the Company and Executive, as modified and amended by those Amending Agreements dated as of April 4, 2001, January 1, 2004 and February 14, 2006 (together, the “Agreement”), whereunder the Executive provides services to the Company, and the Executive wishes to so continue such engagement, as hereinafter set forth;

AND WHEREAS, on January 1, 2001 Imax Ltd. assigned all of its rights and obligations pursuant to the Agreement to the Company, and the Executive has consented to such assignment;

NOW, THEREFORE, in consideration of good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Section 4(b) of the Agreement shall be amended by adding the following:

“Without Cause” shall also mean the termination of Executive’s employment at Executive’s election in the event that each of Bradley J. Wechsler and Richard L. Gelfond cease to be CEO of the Company (an “Elective Termination”), provided, however, that Executive may not make such Elective Termination prior to six (6) months following the date that each of Messrs. Wechsler and Gelfond have ceased to be CEO of the Company. In the event of an Elective Termination, Executive shall have no obligation to mitigate the amounts provided in Section 4.1.1.

2. Section 6 of the Agreement shall be amended by adding the following:

Notwithstanding anything herein to the contrary, in the event that (a) there is a change in control of the Company i.e. any person, or group of persons acting in concert, other than Bradley J. Wechsler and Richard L. Gelfond, acquiring greater than fifty percent (50%) of the outstanding common shares of the Company, whether by direct or indirect acquisition or as a result of a merger or reorganization (a “Change in Control”) and (b) each of Bradley J. Wechsler and Richard L. Gelfond cease to be CEO of the Company, then Executive may elect to terminate his employment and such termination will be deemed to be a termination Without Cause (a “Change in Control Election”), provided, however, that Executive may not make such Change in Control Election prior to three (3) months following the date that each of Messrs. Wechsler and Gelfond have ceased to be CEO of the Company. A Change of Control Election shall be deemed to be a Non-Mitigation Event as described in this Section 6, and in the event of a Change of Control Election, (i) Executive shall have no obligation to mitigate the amounts provided in Section 4.1.1, and (ii) the Severance Period (as defined in Section 4.1.1) shall be a minimum of eighteen (18) months in duration.

3. The Executive shall receive a US$ 150,000 retention bonus (the “Retention Bonus”), payable as follows: (a) US$ 75,000 paid on June 1, 2007 if Executive has not resigned or been terminated for Cause prior to such date, and (b) US$ 75,000 paid on December 31, 2007 if Executive has not resigned or been terminated for Cause prior to such date. In the event that there is a Change in Control, any portion of the Retention Bonus not yet paid shall immediately accelerate and be paid to Executive.

Except as amended herein, all other terms of the Agreement shall remain in full force, unamended.

IN WITNESS WHEREOF, the Company and the Executive have duly executed and delivered this Amending Agreement on this 5th day of October, 2006.

IMAX CORPORATION

By: *"Richard L. Gelfond"*
Name: Richard L. Gelfond
Title: Co-Chief Executive Officer

SIGNED, SEALED AND DELIVERED
in the presence of:

"Pamela Brown"
Witness

EXECUTIVE:

"Robert D. Lister"
Robert D. Lister

IMAX CORPORATION

EXHIBIT 10.37

FIFTH AMENDING AGREEMENT

This Amendment to Employment Agreement dated as of December 31st , 2007 (the "Amending Agreement") is made between:

IMAX CORPORATION, a corporation incorporated under the laws of Canada (hereinafter referred to as the "Company"),

and

ROBERT D. LISTER (the "Executive")

WHEREAS, the Company wishes to enter into this Amending Agreement to amend and extend the Employment Agreement dated as of May 17, 1999 between Imax Ltd, the Company and Executive, as modified and amended by those Amending Agreements dated as of April 4, 2001, January 1, 2004, February 14th, 2006 and October 5th, 2006 (together, the "Agreement"), whereunder the Executive provides services to the Company, and the Executive wishes to so continue such engagement, as hereinafter set forth;

AND WHEREAS, on January 1, 2001 Imax Ltd. assigned all of its rights and obligations pursuant to the Agreement to the Company, and the Executive has consented to such assignment.

NOW, THEREFORE, in consideration of good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Effective on January 1, 2008 the Executive's Title will be Senior Executive Vice President and General Counsel.

2. Section 1.3 of the Agreement shall be deleted and replaced with the following:

"Section 1.3 <u>Term of Employment.</u> The Employee's employment under this Agreement commenced on the 17th day of May, 1999 (the "Commencement Date") and shall terminate on the earlier of (i) January 1, 2010, or (ii) the termination of the Employee's employment pursuant to this Agreement. The period commencing as of the Commencement Date and ending on January 1, 2010 or such later date to which the term of the Employee's employment under this Agreement shall have been extended is hereinafter referred to as the "Employment Term."

3. Section 2.1 of the Agreement shall be deleted and replaced with the following:

"Section 2.1 <u>Base Salary.</u> Effective January 1, 2008, the Executive's Base Salary shall be US$442,497. The Executive's Base Salary shall be subject to review in connection with his performance review in 2009."

4. Incentive Compensation. On the later of : (a) December 31st, 2007 and (b) if, on December 31st, 2007, the Company has material information which has not been publicly disclosed, the date which is fifteen (15) days after the date on which such information is publicly disclosed, the Executive shall be granted 120,000 stock appreciation rights ("SARs") which shall entitle the Executive to receive in cash from the Company any increase in the fair market value of the common shares of the Company from the fair market value thereof on the date hereof to the date of exercise of the SARs. 60,000 SARs shall vest on each of December 31, 2008 and December 31, 2009. All SARs will have a 10-year term, commencing on the date of grant and, to the extent applicable, the SARs shall be governed by the provisions of the Stock Option Plan of the Company (the "Plan"), including for greater certainty, the provisions relating to the calculation of the fair market value of common shares of the Company, resignation or termination; provided, however, that to the extent any provisions of the Plan conflict with provisions of the Agreement, the provisions of the Agreement shall apply. The vesting of all SARs shall be accelerated upon a "change of control" as defined in the Agreement and shall be governed, to the extent applicable, by any other provisions in the Agreement regarding change of control. At any time and from time to time after vesting, but subject to the insider trading policy of the Company in effect at that time which shall apply to the SARs as if they were securities covered thereby, the Executive shall be entitled to exercise some or all of the vested SARs by delivering notice of exercise in writing to one of the Chief Executive Officers of the Company. Within 10 business days after receipt of such notice in writing, the Company shall pay to the Executive the amount by which the fair market value of the common shares of the Company has increased from the fair market value on the date of grant to the fair market value on the date of such notice, net of any applicable withholdings and any other amounts owing at that time by the Executive to the Company. Notwithstanding anything to the contrary contained herein, the Company shall have the right but not the obligation to cancel at any time all, or from time to time any part, of the SARs, in any case upon notice in writing to the Executive and to replace the cancelled SARs with a grant of stock options under the Plan (the "Options") provided that (i) such Options have no less favorable (to the Executive) material terms and conditions as, and are in such number as are of equivalent value to, the cancelled SARs, and (ii) the Company cannot replace cancelled SARs with stock options if such options have a higher exercise price than the fair market value of the common shares of the Company on December 31, 2007.

The SARs (Options) granted hereunder shall otherwise be treated in accordance with the terms of Section 2.3 of the Agreement.

Except as amended herein, all other terms of the Agreement shall remain in full force, unamended.

IN WITNESS WHEREOF, the Company and the Executive have duly executed and delivered this Amending Agreement on this 31st day of December, 2007.

IMAX CORPORATION

By: *"Bradley J. Wechsler"*
Name: Bradley J. Wechsler
Title: Co-Chief Executive Officer

By: *"G. Mary Ruby"*
Name: G. Mary Ruby
Title: Senior Vice President, Legal Affairs and Corporate Secretary

SIGNED, SEALED AND DELIVERED
in the presence of:

"Mary Barto"
Witness

EXECUTIVE:

"Robert D. Lister"

Robert D. Lister

IMAX CORPORATION

EXHIBIT 10.39

Robert D. Lister Renewal – Term Sheet

January 23, 2014

Term: 4 years

Base Salary: 2014 – $625k
2015 – $650k
2016 – $675k
2017 – $700k

Bonus Target: 60%

LTI: $1.4M/annum = $5.6M total grant value

- Terms:
  - Four annual grants of $1.4M (first grant after current blackout ends)
    - 2014: 50% stock options/50% RSU's
    - 2015: 40% stock options/60% RSU's
    - 2016: 33% stock options/67% RSU's
    - 2017: 25% stock options/75% RSU's
  - 4-year vesting (1/4 each year)
  - Upon termination after CIC, to the extent total value of vested options & RSU's from these grants is less than $5.6M, severance will be increased by difference.

Other Changes

- Termination/Severance: Definition of Termination without Cause will no longer include a resignation in the event RLG ceases to be CEO.
- Change in Control: Second trigger on vesting of options/RSU's will no longer be BJW & RLG ceasing to be co-CEOs, but will be limited to (i) termination without cause, (ii) diminution of title or responsibilities (including no longer reporting directly to CEO), or (iii) relocation.

IMAX CORPORATION

EXHIBIT 10.43

SECURITIES PURCHASE AGREEMENT

SECURITIES PURCHASE AGREEMENT (this "***Agreement***"), dated as of May 5, 2008, by and between IMAX Corporation, a corporation incorporated under the federal laws of Canada (the "***Company***"), and each of the entities whose names appear on the signature page hereof (each, an "***Investor***" and collectively, the "***Investors***").

A. The Company wishes to sell to each Investor, and each Investor wishes to purchase, on the terms and subject to the conditions set forth in this Agreement, common shares, without par value, of the Company (the "***Common Shares***"). The aggregate number of Common Shares purchased and sold pursuant to this Agreement shall be 2,726,447 Common Shares and shall collectively be referred to herein as the "***Securities***". The Securities shall be allocated among the Investors as is set forth on the signature page hereto.

B. The sale of the Securities by the Company to the Investors will be effected in reliance upon the exemption from securities registration afforded by Section 4(2) under the Securities Act.

In consideration of the mutual promises made herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and each Investor hereby agree as follows:

1. *PURCHASE AND SALE OF THE SECURITIES.*

1.1 Closing. Upon the terms and subject to the satisfaction or waiver of the conditions set forth herein, the Company agrees to sell and the Investors agree to purchase the Securities for a purchase price equal to an amount per Common Share calculated as the average closing price of the Common Shares on the Nasdaq Global Market over the five (5) Trading Days ending on the last Trading Day prior to the later of (i) the date hereof and (ii) five (5) days prior to the Closing Date (the "***Per Share Price***"). The aggregate purchase price shall be determined by multiplying the Per Share Price by the total number of Common Shares being sold hereunder (the "***Purchase Price***"). The date on which the closing of such purchase and sale occurs (the "***Closing***") is hereinafter referred to as the "***Closing Date***" and will be on or about May 8, 2008. If the Closing occurs on or before May 9, 2008, the Per Share Price will be $6.602, and the Purchase Price will be $18,000,000.00. The Closing will be deemed to occur at the offices of Shearman & Sterling LLP, 599 Lexington Avenue, New York, New York 10022, when (A) this Agreement has been executed and delivered by the Company and each Investor, (B) each of the conditions to the Closing described in Section 5 of this Agreement has been satisfied or waived as specified therein and (C) full payment of the Purchase Price has been made by the Investors to the Company by wire transfer of immediately available funds against physical delivery by the Company of duly executed certificates representing the Securities being purchased by the Investors, registered in the name and address of the Investors as is set forth on the signature page hereto.

1.2 Certain Definitions. When used herein, the following terms shall have the respective meanings indicated:

"***Affiliate***" means, as to a specified Person, a Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the specified Person. For the purposes of this definition, "***control***" (including the terms "controlling" "controlled by" and "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"***beneficial ownership***", "***beneficially own***" and "***beneficial owner***" shall have the meaning set forth in Rule 13d-3 (without regard to the 60-day provision in paragraph (d)(1)(i)) of the Exchange Act.

"***Board of Directors***" means the Company's board of directors.

"***Business Day***" means any day other than a Saturday, a Sunday or a day on which The NASDAQ Global Market is closed or on which banks in The City of New York are required or authorized by law to be closed.

"***Closing***" has the meaning specified in Section 1.1 of this Agreement.

"***Closing Date***" has the meaning specified in Section 1.1 of this Agreement.

"***Commission***" means the Securities and Exchange Commission.

"***Common Shares***" has the meaning specified in the preamble to this Agreement.

"***Exchange Act***" means the Securities Exchange Act of 1934, as amended (or any successor act), and the rules and regulations thereunder (or respective successors thereto).

"***Filing Deadline***" has the meaning specified in Section 4.2(a) of this Agreement.

"***First Quarter Form 10-Q***" means the Company's Form 10-Q for the fiscal quarter ended March 31, 2008 provided to the Investors in draft form.

"***GAAP***" means United States generally accepted accounting principles, applied on a consistent basis.

"***Governmental Authority***" means any nation or government, any state, provincial or political subdivision thereof having jurisdiction over the Company and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including without limitation any stock exchange, securities market or self-regulatory organization.

"***Intellectual Property***" has the meaning specified in Section 3.16 of this Agreement.

“***Investor Party***” has the meaning specified in Section 4.7 of this Agreement.

“***Law***” means any applicable federal, state, local or foreign or provincial law, statute, code, ordinance, rule, regulation, judgment, order, injunction, decree or agency requirement of or undertaking to or agreement with any Governmental Authority, including common law.

“***Material Adverse Effect***” means, with respect to any Person, any fact, circumstance, event, change, effect or occurrence that, individually or in the aggregate with all other facts, circumstances, events, changes, effects or occurrences (i) has or would be reasonably expected to have a material adverse effect on or with respect to the business, results of operation or financial condition of such Person and its Subsidiaries, if any, taken as a whole, or (ii) that prevents or materially delays or materially impairs the ability of such Person to consummate the transactions contemplated by this Agreement.

“***Person***” means any individual, corporation, trust, association, company, partnership, joint venture, limited liability company, joint stock company, Governmental Authority or other entity.

“***Principal Market***” means the NASDAQ Global Market or such other principal exchange or market on which the Common Shares are then listed or traded.

“Prospectus” has the meaning specified in Section 4.2(c) of this Agreement.

“***Purchase Price***” has the meaning specified in Section 1.1 of this Agreement.

“Registration Deadline” has the meaning specified in Section 4.2(b) of this Agreement.

“Registration Default” has the meaning specified in Section 4.4(e) of this Agreement.

“Registration Penalty” has the meaning specified in Section 4.4(e) of this Agreement.

“***Registration Statement***” has the meaning specified in Section 4.2(a) of this Agreement.

“***Registration Statement Termination Date***” has the meaning specified in Section 4.2(c) of this Agreement.

“***Rule 144***” means Rule 144 under the Securities Act or any successor provision.

“***SEC Reports***” means (i) the Company’s Form 10-K for the fiscal year ended December 31, 2007 filed with the Securities and Exchange Commission on March 17, 2008, (ii) each form, document, statement and report filed by the Company since March 17, 2008, and (iii) the First Quarter Form 10-Q.

"***Securities***" has the meaning specified in the preamble to this Agreement.

"***Securities Act***" means the Securities Act of 1933, as amended (or any successor act), and the rules and regulations thereunder (or respective successors thereto).

"***Subsidiary***" means, with respect to any Person, any corporation or other entity of which at least a majority of the outstanding shares of stock or other ownership interests having by the terms thereof ordinary voting power to elect a majority of the board of directors (or Persons performing similar functions) of such corporation or entity (regardless of whether or not at the time, in the case of a corporation, stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time directly or indirectly owned or controlled by such Person or one or more of its Subsidiaries or by such Person and one or more of its Subsidiaries.

"Suspension" has the meaning specified in Section 4.4(b) of this Agreement.

"Suspension Notice" has the meaning specified in Section 4.4(b) of this Agreement.

"Takedown Notice" has the meaning specified in Section 4.4(c) of this Agreement.

"***Trading Day***" means any day on which the Common Shares are purchased and sold on the Principal Market.

"***Trading Market***" means the NASDAQ Global Market or the Toronto Stock Exchange, or any national securities exchange, market or trading or quotation facility on which the Common Shares are then listed or quoted.

1.3 Other Definitional Provisions. All definitions contained in this Agreement are equally applicable to the singular and plural forms of the terms defined. The words "***hereof***", "***herein***" and "***hereunder***" and words of similar import referring to this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement.

2. *REPRESENTATIONS AND WARRANTIES OF EACH INVESTOR.*

Each Investor hereby represents and warrants to the Company and agrees with the Company, that, as of the date hereof:

2.1 Enforceability. Such Investor has the requisite power and authority to purchase the Securities to be purchased by it hereunder and to execute, deliver and perform its obligations pursuant to this Agreement. This Agreement constitutes, upon execution and delivery thereof, such Investor's valid and legally binding obligation, enforceable in accordance with its terms, subject to (i) applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium or other similar laws of general application relating to or affecting the enforcement of creditors' rights generally and (ii) general principles of equity.

2.2 Investor Status. At the time such Investor was offered the Securities, such Investor was and at the date hereof, is (i) an “accredited investor” as defined in Rule 501 of Regulation D under the Securities Act, (ii) not formed or organized with the specific purpose of making an investment in the Company and (iii) not a resident of or located in Canada. Such Investor’s financial condition is such that it is able to bear the risk of holding the Securities for an indefinite period of time and the risk of loss of its entire investment. Such Investor has such knowledge and experience in business and financial matters so as to enable it to understand the risks of and form an investment decision with respect to its investment in the Securities.

2.3 Purchase Entirely for Own Account. Such Investor is acquiring the Securities for its own account and not with a view to, or for sale in connection with, any distribution of the Securities in violation of the Securities Act. Such Investor has no present agreement, undertaking, arrangement, obligation or commitment providing for the disposition of the Securities.

2.4 Information. Such Investor acknowledges that it has been provided with information regarding the business, operations and financial condition of the Company and has, prior to the date hereof, been granted the opportunity to ask questions of and receive answers from representatives of the Company, its officers, directors, employees and agents concerning the Company in order for such Investor to make an informed decision with respect to its investment in the Securities. Such Investor has sought such accounting, legal and tax advice as it deems appropriate in connection with its proposed investment in the Securities.

2.5 Securities Not Registered in the United States. Such Investor understands that the Securities have not been registered under the Securities Act, by reason of their issuance by the Company in a transaction exempt from the registration requirements of the Securities Act, and that the Securities must continue to be held by such Investor until a subsequent disposition thereof is registered under the Securities Act, including pursuant to the Registration Statement, or is exempt from such registration.

2.6 Securities Not Qualified in Canada. Such Investor also understands that the Securities will not be qualified for sale under the securities laws of any province or territory of Canada.

2.7 Reliance on Exemptions. Such Investor understands that the Securities are being offered and sold to it in reliance upon specific exemptions from the registration requirements of U.S. federal and state securities laws and that the Company is relying upon the truth and accuracy of the representations and warranties of such Investor set forth in this Section 2 in order to determine the availability of such exemptions and the eligibility of such Investor to acquire the Securities.

2.8 Common Stock Ownership. Such Investor’s investment in the Securities is not for the purpose of acquiring, directly or indirectly, control of, and they have no intent to acquire or exercise control of, the Company or to influence the decisions or policies of the Board of Directors.

2.9 Investors’ Financing. At the Closing, such Investor will have all funds necessary to pay to the Company the Purchase Price for the Securities being purchased by such Investor hereby in immediately available funds.

2.10 Brokers. Such Investor has not retained, utilized or been represented by any broker or finder in connection with the transactions contemplated by this Agreement whose fees the Company would be required to pay.

2.11 No Governmental Review. Such Investor understands that no Governmental Authority has passed on or made any recommendation or endorsement of the Securities or the fairness or suitability of the investment in the Securities nor have such authorities passed upon or endorsed the merits of the offering of the Securities.

2.12 No General Solicitation. Such Investor is not purchasing the Securities as a result of any advertisement, article, notice or other communication published in a newspaper or magazine or similar media or broadcast over television or radio, whether closed circuit, or generally available, or any seminar, meeting or other conference whose attendees were invited by any general solicitation or general advertising.

2.13 Trading in Common Shares. Since the date such Investor initially was contacted by the Company through the date of this Agreement, such Investor has not entered into any purchase or sale of Common Shares or executed any Short Sales. For purposes of this Section, *“**Short Sales**”* means all types of direct and indirect stock pledges, forward sale contracts, options, puts, calls, short sales, swaps (including on a total return basis) and sales. Such Investor covenants that neither it nor any Person acting on its behalf or pursuant to any understanding with it, will engage in any transactions in the Common Shares (including Short Sales) prior to the time that the transactions contemplated by this Agreement are publicly disclosed.

2.14 Reliance on Information. Such Investor has, in connection with such Investor’s decision to purchase the Securities, not relied upon any representations or other information (whether oral or written) other than as set forth in the representations and warranties of the Company contained herein and in the SEC Reports, and such Investor has, with respect to all matters relating to this Agreement and the offer and sale of the Securities, relied solely upon the advice of such Investor’s own counsel and has not relied upon or consulted counsel of the Company.

3. *REPRESENTATIONS AND WARRANTIES OF THE COMPANY*.

The Company hereby represents and warrants to each Investor and agrees with each Investor that, as of the date hereof:

3.1 Organization, Good Standing and Qualification. The Company is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, with all requisite power and authority to carry on its business as now conducted. Except as would not, individually or in the aggregate, result in a Material Adverse Effect, each of the Subsidiaries of the Company is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, with all requisite power and authority to carry on its business as now conducted. The Company and each of its Subsidiaries is duly qualified to do business and is in good standing in each jurisdiction in which it conducts business except where the failure so to qualify has not had or would not have a Material Adverse Effect. Neither the Company nor any of its Subsidiaries is in violation of its certificate of incorporation, by-laws or other equivalent organizational or governing documents, except where the violation in the case of a Subsidiary of the Company would not, individually or in the aggregate, have a Material Adverse Effect.

3.2 Authorization; Consents. The Company has the requisite corporate power and authority to enter into and perform its obligations under this Agreement and to issue and sell the Securities to the Investors in accordance with the terms hereof. All consents, approvals, orders and authorizations required on the part of the Company or its Subsidiaries in connection with the execution, delivery or performance of this Agreement have been obtained or made, other than such consents, approvals, orders and authorizations the failure of which to make or obtain would not have a Material Adverse Effect.

3.3 Enforcement. This Agreement has been duly executed and delivered by the Company. This Agreement constitutes the valid and legally binding obligation of the Company, enforceable against it in accordance with its terms, subject to (i) applicable bankruptcy, insolvency, fraudulent transfer, moratorium, reorganization or other similar laws of general application relating to or affecting the enforcement of creditors’ rights generally, (ii) general principles of equity and (iii) with respect to the enforcement of any rights to indemnity and contribution, federal and state securities laws and principles of public policy.

3.4 SEC Reports. The Company has filed on a timely basis with the SEC all SEC Reports. The SEC Reports constitute all of the documents required to be filed by the Company with the Commission under Section 13 or 14 of the Exchange Act since December 31, 2007. Each SEC Report other than the First Quarter Form 10-Q, as of the date of the filing thereof with the Commission (or if amended or superseded by a filing prior to the date hereof, then on the date of such amending or superseding filing) or as of the date hereof in the case of the First Quarter Form 10-Q, complied in all material respects with the requirements of the Securities Act or Exchange Act, as applicable, and the rules and regulations promulgated thereunder. The SEC Reports, at the time they were filed (or if amended or superseded by a filing prior to the date of this Agreement, then on the date of such amending or superseding filing) and as of the date hereof, did not and do not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. As of their respective dates (or if amended or superseded by a filing prior to the date hereof, then on the date of such amending or superseding filing), the financial statements of the Company included in the SEC Reports (including, in each case, any related notes), including any SEC Reports filed after the date of this Agreement until the Closing, complied or will comply as to form in all material respects with applicable accounting requirements and the published rules and regulations of the Commission with respect thereto as in effect at the time of filing. Such financial statements have been or will be prepared in accordance with GAAP consistently applied at the times and during the periods involved (except (i) as may be otherwise indicated in such financial statements or the notes thereto, or (ii) in the case of unaudited interim statements, to the extent they may exclude footnotes or may be condensed or summary statements as permitted by Form 10-Q of the Commission) and fairly present in all material respects the financial position of the Company as of the dates thereof and the results of its operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end adjustments).

3.5 Absence of Certain Changes. Except as otherwise disclosed in the SEC Reports, since December 31, 2007, the Company and its subsidiaries have conducted their business in the ordinary course and, since such date, the Company has not suffered any change or effect that has resulted, or would result, in a Material Adverse Effect.

3.6 Capitalization. The capitalization of the Company, including its authorized capital stock, the number of shares issued and outstanding, the number of shares issuable and reserved for issuance pursuant to the Company's stock option plans and agreements and the number of shares issuable and reserved for issuance pursuant to securities exercisable for, or convertible into or exchangeable for any Common Shares, is as set forth in the SEC Reports. All outstanding shares of the Company have been duly authorized, validly issued, fully paid and are nonassessable and free of any liens or encumbrances created by the Company and are not subject to preemptive rights. Other than as contemplated by this Agreement and as described in the SEC Reports, there are no options, warrants, calls, rights, commitments, preemptive rights, rights of first refusal or other agreements to which the Company is a party or by which it is bound obligating the Company to issue, deliver, sell, repurchase or redeem, or cause to be issued, delivered, sold, repurchased or redeemed, any shares of the capital stock of the Company or obligating the Company to grant, extend or enter into any such option, warrant, call, right, commitment or agreement. No preemptive right, co-sale right, right of first refusal or other similar right exists with respect to the Securities or the issuance and sale thereof. No further approval or authorization of any stockholder, the Board of Directors or others is required for the issuance and sale of the Securities. Except as set forth in the SEC Reports, no holder of any of the securities of the Company or any of its Subsidiaries has any rights ("demand", "piggyback" or otherwise) to have such securities registered by reason of the intention to file, filing or effectiveness of the Registration Statement.

3.7 Due Authorization; Valid Issuance. The Securities are duly authorized and, when issued in accordance with the terms of this Agreement, will be duly and validly issued, fully paid and nonassessable, free of pre-emptive or similar rights and free and clear of all liens, encumbrances and other restrictions (other than those arising under federal, provincial or state securities laws as a result of the private placement contemplated hereby).

3.8 No Conflict. The execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby will not (i) conflict with, or result in any violation of any provisions of the Company's charter, bylaws or any other organizational or charter document, (ii) conflict with, result in any violation or breach of, or constitute a default (or an event that with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation (with or without notice, lapse of time or both) of, any agreement, lease, credit facility, debt, note, bond, mortgage, indenture or other instrument or obligation (evidencing a Company or Subsidiary debt or otherwise) or other understanding to which the Company or any Subsidiary is a party or by which any property or asset of the Company or any Subsidiary is bound, or affected, except to the extent that such conflict, default, termination, amendment, acceleration or cancellation right would not have a Material Adverse Effect, or (iii) result in a violation of any Law to which the

Company or a Subsidiary is subject, or by which any property or asset of the Company or a Subsidiary is bound or affected, except to the extent that such violation would not have a Material Adverse Effect.

3.9 General Solicitation; No Integration. Neither the Company nor any of its Affiliates, nor any person acting on its or their behalf, has engaged in a general solicitation or general advertising (within the meaning of Regulation D) of investors with respect to offers or sales of the Securities. Assuming the accuracy of the Investors' representations and warranties set forth in Section 2 of this Agreement, the Company has not, directly or indirectly, sold, offered for sale, solicited offers to buy or otherwise negotiated in respect of, any security (as defined in the Securities Act) which, to its knowledge, is or will be integrated with the Securities sold pursuant to this Agreement.

3.10 Listing and Maintenance Requirements. The Company has no action pending to delist the Common Shares from any Trading Market on which the Common Shares are or have been listed or quoted, nor has the Company received any notification that any such Trading Market is currently contemplating terminating such listing, and the Company has complied with all notification and filing requirements as may be required pursuant to the rule and regulations of the Principal Market with respect the sale of Securities contemplated hereby.

3.11 Compliance with Laws. The Company has complied with, is not in violation of, and has not received any notices of violation with respect to, any federal, state or local statute, law or regulation with respect to the conduct of its business, or the ownership or operation of its business, except for failures to comply or violations which would not have a Material Adverse Effect.

3.12 Disclosure. No statements by the Company contained in this Agreement, its exhibits and schedules, or any of the certificates or documents, required to be delivered by the Company to the Investors under this Agreement contain any untrue statement of material fact or omits (when read together with all such other statements) to state a material fact necessary in order to make the statements contained herein or therein not misleading in light of the circumstances under which they were made.

3.13 Stockholder Consent. No consent or approval of the stockholders of the Company is required or necessary for the Company to enter into this Agreement or to consummate the transactions contemplated hereby and thereby.

3.14 Litigation. Except as otherwise disclosed in the SEC Reports, (i) there is no private or governmental action, suit, proceeding, claim, arbitration or investigation pending before any agency, court or tribunal, foreign or domestic, or, to the knowledge of the Company or any of its Subsidiaries, threatened against the Company or any of its properties or any of its officers or directors (in their capacities as such), which would have a Material Adverse Effect, and (ii) there is no judgment, decree or order against the Company, or, to the knowledge of the Company, any of its respective directors or officers (in their capacities as such) relating to the business of the Company, the presence of which would have a Material Adverse Effect. To the Company's knowledge, no circumstances exist that could form a valid basis for a claim against the Company as a result of the conduct of the Company's business (including, without limitation, any claim of infringement of any intellectual property right) that would have a Material Adverse Effect.

3.15 Governmental Permits. Each of the Company and its Subsidiaries has all necessary franchises, licenses, certificates and other authorizations from any foreign, federal, state or local government or governmental agency, department, or body that are currently necessary for the operation of the business of the Company and its Subsidiaries as currently conducted, except where the failure to currently possess would not have a Material Adverse Effect.

3.16 Intellectual Property. Each of the Company and its Subsidiaries owns or possesses sufficient rights to use all patents, patent rights, trademarks, copyrights, licenses, inventions, trade secrets, trade names and know-how (collectively, “Intellectual Property”) that are necessary for the conduct of its business as now conducted except where the failure to currently own or possess would not have a Material Adverse Effect. Except as set forth in the SEC Reports, (i) neither the Company nor any of its Subsidiaries has received any notice of, or has any knowledge of, any infringement of asserted rights of a third party with respect to any Intellectual Property that, individually or in the aggregate, would have a Material Adverse Effect and (ii) neither the Company nor any of its Subsidiaries has received any notice of any infringement rights by a third party with respect to any Intellectual Property that, individually or in the aggregate, would have a Material Adverse Effect.

4. *OTHER AGREEMENTS OF THE PARTIES.*

4.1 Transfer Restrictions.

(a) Each Investor covenants that the Securities will only be disposed of pursuant to an effective registration statement under, and in compliance with the requirements of, the Securities Act (including pursuant to the Registration Statement) or pursuant to an available exemption from the registration requirements of the Securities Act, and in compliance with any applicable state securities laws. As the Securities will not be qualified for sale under the securities laws of any province or territory of Canada, each Investor agrees that it will not offer, sell or distribute any of the Securities, directly or indirectly, in Canada or to, or for the benefit of, any resident thereof before the date that is four months and one day after the Closing Date, and after such time, only in accordance with Canadian securities law. In connection with any transfer of Securities other than pursuant to an effective registration statement (including the Registration Statement) or to the Company, the Company may require the transferor to provide to the Company an opinion of counsel selected by the transferor, the form and substance of which opinion shall be reasonably satisfactory to the Company, to the effect that such transfer does not require registration under the Securities Act. Notwithstanding the foregoing, the Company hereby consents to and agrees to register on the books of the Company and with its transfer agent, without any such legal opinion, except to the extent that the transfer agent requests such legal opinion, any transfer of Securities in the following circumstances:

(x) as contemplated in the Registration Statement;

(y) by an Investor to an Affiliate of such Investor, provided that the transferee certifies to the Company that (i) it is an Affiliate of the Investor and (ii) it is an "accredited investor" as defined in Rule 501(a) under the Securities Act, and further provided that such Affiliate does not request any removal of any existing legends on any certificate evidencing the Securities; and

(z) in connection with a *bona fide* pledge or hypothecation of any Securities under a margin arrangement with a broker-dealer or other financial institution or the sale of any such Securities by such broker-dealer or other financial institution following such Investor's default under such margin arrangement.

(b) Each Investor agrees to the imprinting, so long as is required by this Section 4.1(b), of a legend on any certificate evidencing Securities substantially to the following effect:

"THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"). THE HOLDER HEREOF, BY PURCHASING SUCH SECURITIES, AGREES FOR THE BENEFIT OF THE CORPORATION THAT SUCH SECURITIES MAY BE OFFERED, SOLD OR OTHERWISE TRANSFERRED ONLY (A) TO THE CORPORATION, (B) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, (C) PURSUANT TO THE EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER, IF AVAILABLE, (D) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE U.S. SECURITIES ACT, OR (E) IN COMPLIANCE WITH CERTAIN OTHER PROCEDURES SATISFACTORY TO THE CORPORATION, IN EACH CASE IN COMPLIANCE WITH APPLICABLE STATE SECURITIES LAWS OR BLUE SKY LAWS.

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN QUALIFIED FOR SALE UNDER THE SECURITIES LAWS OF ANY PROVINCE OR TERRITORY OF CANADA. THE HOLDER HEREOF, BY PURCHASING SUCH SECURITIES, AGREES FOR THE BENEFIT OF THE CORPORATION THAT SUCH SECURITIES MAY NOT BE OFFERED, SOLD OR DISTRIBUTED, DIRECTLY OR INDIRECTLY, IN CANADA OR TO, OR FOR THE BENEFIT OF, ANY RESIDENT THEREOF BEFORE SEPTEMBER 9, 2008 AND AFTER SUCH TIME, ONLY IN ACCORDANCE WITH CANADIAN SECURITIES LAW.

DELIVERY OF THIS CERTIFICATE MAY NOT CONSTITUTE "GOOD DELIVERY" IN SETTLEMENT OF TRANSACTIONS ON STOCK EXCHANGES IN CANADA."

4.2 Registration Rights – Obligations of the Company. The Company shall:

(a) subject to receipt of necessary information from the Investors, prepare and file with the Commission, on or before the date which is 210 days from the date hereof (the "***Filing Deadline***"), a registration statement (the "***Registration Statement***") to enable the resale of the Securities by the Investors from time to time on the Principal Market or in privately-negotiated transactions;

(b) use commercially reasonable efforts, subject to receipt of necessary information from the Investors, to cause the Registration Statement to become effective within 90 days after the Registration Statement is filed by the Company (the "***Registration Deadline***");

(c) prepare and file with the Commission such amendments and supplements to the Registration Statement and the prospectus used in connection therewith (the "***Prospectus***") and take all other such actions (subject to Section 4.2.(d) and Section 4.2(e)) as may be necessary to keep the Registration Statement current and effective for a period not exceeding the earlier of (i) the date on which the Investors may sell all Securities then held by the Investors without restriction by the volume limitations of Rule 144(e) of the Securities Act, as determined by the Investors in their entire discretion or (ii) such time as all Securities purchased by the Investors pursuant hereto have been sold pursuant to a Registration Statement (the "***Registration Statement Termination Date***");

(d) promptly furnish to the Investors with respect to the Securities registered under the Registration Statement such number of copies of the Registration Statement, Prospectuses and preliminary Prospectuses in conformity with the requirements of the Securities Act and such other documents as the Investors may reasonably request, in order to facilitate the public sale or other disposition of all or any of the Securities by the Investors; *provided*, *however*, that the obligation of the Company to deliver copies of Prospectuses or preliminary Prospectuses to an Investor shall be subject to the receipt by the Company of reasonable assurances from such Investor that such Investor will comply with the applicable provisions of the Securities Act and of such other securities or blue sky laws as may be applicable in connection with any use of such Prospectuses or preliminary Prospectuses;

(e) file documents required of the Company for normal blue sky clearance in states specified in writing by the Investors; *provided*, *however*, that the Company shall not be required to qualify to do business or consent to service of process in any jurisdiction in which it is not now so qualified or has not so consented;

(f) bear all expenses in connection with the procedures in paragraph (a) through (e) of this Section 4.2 and the registration of the Securities pursuant to the Registration Statement (which shall include, for the avoidance of doubt, reasonable expenses of one counsel chosen by the Investors for the review of the Registration Statement), regardless of whether a Registration Statement becomes effective; *provided*, *however*, that reimbursement for expenses of one counsel chosen by the Investors for the review of the Registration Statement shall be limited to a maximum of US$50,000, in the aggregate, of such reasonable, actual fees and expenses; and

(g) advise the Investors, promptly (i) after it shall receive notice or obtain knowledge of the issuance of any stop order by the Commission delaying or suspending the effectiveness of the Registration Statement or of the initiation or threat of any proceeding for that purpose; and it will promptly use its reasonable efforts to prevent the issuance of any stop order or to obtain its withdrawal at the earliest possible moment if such stop order should be issued, (ii) when the Prospectus or any Prospectus Supplement or post-effective amendment has been filed, and, with respect to the Registration Statement or any post-effective amendment thereto, when the same has become effective; and (iii) subject to Section 4.2(d), after the Company shall receive notice or obtain knowledge of the existence of any fact or the happening of any event that makes any statement of a material fact made in the Registration Statement, the Prospectus, any amendment or supplement thereto, or any document incorporated by reference therein untrue, or that requires the making of any additions to or changes in the Registration Statement or the Prospectus in order to make the statements therein not misleading.

4.3 Registration Rights – Obligations of the Investors. Each Investor agrees that it will:

(a) promptly notify the Company of any changes in the information set forth in the Registration Statement regarding such Investor or their plan of distribution;

(b) after the Registration Statement has become effective, sell all of the Securities before any other Common Shares beneficially owned by such Investor or by any Affiliate of such Investor are sold;

(c) promptly notify the Company when all of the Securities have been sold; and

(d) promptly notify the Company at such time as the Investors may sell all Securities then held by the Investors without restriction by the volume limitations of Rule 144(e) of the Securities Act and the date of such determination.

4.4 Maintenance of Registration Statement.

(a) Except in the event that either or both of paragraphs (d) or (e) below applies, the Company shall promptly (i) prepare and file from time to time with the Commission a post-effective amendment to the Registration Statement or a supplement to the related Prospectus or a supplement or amendment to any document incorporated therein by reference or file any other required document so that such Registration Statement will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, and so that, as thereafter delivered to purchasers of the Securities being sold thereunder, such Prospectus will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; (ii) provide the Investors copies of any documents filed pursuant to Section 4.4(a)(i); and (iii) inform each Investor that the Company has complied with its obligations in Section 4.4(a)(i) (or that, if the Company has filed a post-effective amendment to the Registration Statement which has not yet been declared effective, the Company will notify the Investors to that effect, will use its reasonable efforts to secure the effectiveness of such post-effective amendment as promptly as possible and will promptly notify the Investors when the amendment has become effective).

(b) Subject to paragraph (c) below, in the event of (i) any request by the Commission or any other federal or state governmental authority during the period of effectiveness of the Registration Statement for amendments or supplements to the Registration Statement or related Prospectus or for additional information; (ii) the issuance by the Commission or any other federal or state governmental authority of any stop order suspending the effectiveness of the Registration Statement or the initiation of any proceedings for that purpose; (iii) the receipt by the Company of any notification with respect to the suspension of the qualification or exemption from qualification of any of the Securities for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose; or (iv) any event or circumstance which necessitates the making of any changes in the Registration Statement or Prospectus, or any document incorporated or deemed to be incorporated therein by reference, so that, in the case of the Registration Statement, it will not contain any untrue statement of a material fact or any omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, and that in the case of the Prospectus, it will not contain any untrue statement of a material fact or any omission to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; then the Company shall cause to be received by the Investors a certificate in writing to the Investors (the "***Suspension Notice***") to the effect of the foregoing and, upon receipt of such Suspension Notice, each Investor will refrain from selling any Securities not already sold pursuant to the Registration Statement (a "***Suspension***") until such Investor's receipt of copies of a supplemented or amended Prospectus prepared and filed by the Company, or until it is advised in writing by the Company that the current Prospectus may be used, and has received copies of any additional or supplemental filings that are incorporated or deemed incorporated by reference in any such Prospectus. Subject to paragraph (c) below, in the event of any Suspension, the Company will use commercially reasonable efforts to cause the use of the Prospectus so suspended to be resumed as soon as reasonably practicable after the delivery of a Suspension Notice to the Investors. In addition to and without limiting any other remedies (including, without limitation, at law or at equity) available to the Investors, the Investors shall be entitled to specific performance in the event that the Company fails to comply with the provisions of this Section 4.4(b).

(c) Notwithstanding anything in this Agreement to the contrary, if the Company shall furnish to the Investors a certificate (a "***Takedown Notice***") signed by the President or Chief Executive Officer of the Company, stating that its Board of Directors has made the good faith determination (i) that continued use by the Investors of the Registration Statement for purposes of effecting offers or sales of the Securities pursuant thereto would require, under the Securities Act, premature disclosure in the Registration Statement (or the prospectus relating thereto) of material, nonpublic information concerning the Company, its business or prospects or any of its proposed material transactions, and (ii) that such premature disclosure would be materially detrimental to the Company, then (x) the Company may postpone the filing or effectiveness of such Registration Statement, or (y) suspend the right of the Investors to use the Registration Statement (and the prospectus relating thereto) for purposes of effecting offers or sales of the Securities pursuant thereto. Upon receipt of a Takedown Notice, each Investor will refrain from selling any Securities not already sold pursuant to the Registration Statement (a "***Takedown***") until such Investor's receipt of copies of a supplemented or amended Prospectus prepared and filed by the Company, or until it is advised in writing by the Company that the current Prospectus may be used, and has received copies of any additional or supplemental filings that are incorporated or deemed incorporated by reference in any such Prospectus. Notwithstanding the foregoing, the Company shall not under any circumstances be entitled to exercise its right to postpone the filing or effectiveness of, or suspend the use of, the Registration Statement more than two (2) times in any twelve (12) month period, and the aggregate number of days during which the filing or effectiveness of, or the suspension of the use of, the Registration Statement may be postponed or suspended shall not exceed ninety (90) days in any such (12) month period. Each Investor hereby covenants and agrees that it will not sell any Securities pursuant to the Registration Statement during a period in which the ability to sell thereunder is suspended as set forth in this Section 4.4(c) and will maintain in confidence the fact and content of any notice provided under this Section 4.4(c).

The effectiveness of the Registration Statement may not be postponed and the rights of each Investor to sell Securities under the Registration Statement may not be suspended under this Section 4.4(c) unless the Company has similarly suspended distribution rights under any other effective registration statement of which it is the registrant (except for registration statements on Form S-8) and has similarly suspended the rights of its officers and directors to trade in its securities for at least the same period.

(d) Provided that a Suspension or a Takedown is not then in effect, each Investor may sell Securities under the Registration Statement, provided that it arranges for delivery of a current Prospectus to the transferee of such Securities. Upon receipt of a request therefor, the Company has agreed to provide an adequate number of current Prospectuses to the Investors and to supply copies to any other parties requiring such Prospectuses.

(e) If (i) the Registration Statement is not filed on or before the Filing Deadline or declared effective by the Commission on or before the Registration Deadline, (ii) after the Registration Statement has been declared effective by the Commission, other than during a Takedown, sales of Securities cannot be made by the Investors under the Registration Statement for any reason not within the exclusive control of the Investors or (iii) other than during a Takedown, an amendment or supplement to the Registration Statement, or a new registration statement, required to be filed pursuant to the terms of this Agreement is not filed as required hereunder (each of the events described in the foregoing clauses (i), (ii) and (iii) being referred to herein as a "***Registration Default***"), the Company shall make cash payments to the Investors (the "***Registration Penalty***"), as liquidated damages and not as a penalty, equal to three-quarters of one percent (0.75%) of the Per Share Price for each of the Securities subject to the Registration Statement for the first 90-day period or portion thereof following the Registration Default, and thereafter the Registration Penalty shall increase by an incremental three-quarters of one percent (0.75%) of the Per Share Price for each of the Securities subject to the Registration Statement for each successive 90-day period or portion thereof during which the Registration Default exists and is continuing, *provided* that in no event shall the Registration Penalty exceed three percent (3.00%) of the Purchase Price, *provided further* that no Registration Penalty shall accrue after the Registration Statement Termination Date, and *provided further* that no Registration Penalty shall accrue during any Takedown. Upon the cure of all Registration Defaults, the accrual of the Registration Penalty will automatically cease. The Registration Penalty shall be computed based on the actual number of days elapsed in each 90-day period in which a Registration Default exists, and each payment required to be made under this Section 4.4(e) shall be made within five (5) Business Days following the last day of each 90-day period in which a Registration Default exists. Any such payment shall be the sole monetary remedy available to the Investors pursuant to the terms hereof or otherwise.

4.5 Use of Investor Name. Except as may be required by applicable law and/or this Agreement, the Company shall not use, directly or indirectly, the name of any Investor or the name of any Affiliate of any Investor in any advertisement, announcement, press release or other similar communication unless it has received the prior written consent of such Investor for the specific use contemplated or as otherwise required by applicable law or regulation.

4.6 Listing. The Company hereby agrees to use reasonable best efforts to maintain the listing and trading of its Common Shares on the NASDAQ Global Market and the Toronto Stock Exchange (or another nationally recognized Trading Market). The Company further agrees, if the Company applies to have the Common Shares traded on any other Trading Market, it will include in such application the Securities, and will take such other action as is necessary or desirable to cause all of the Securities to be listed on such other Trading Market as promptly as possible.

4.7 Indemnification of Investors. (a) The Company will indemnify and hold each Investor and, if applicable, their trustees, beneficiaries and agents (each, an "***Investor Party***") harmless from any and all losses, liabilities, obligations, claims, contingencies, damages, costs and expenses, including all judgments, amounts paid in settlements, court costs and reasonable attorneys' fees and costs of investigation that any such Investor Party may suffer or incur as a result of or relating to any action instituted against an Investor or its Affiliates with respect to or based upon (i) in the case of the Registration Statement, any untrue statement of a material fact or any omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, and, in the case of any Prospectus, any untrue statement of a material fact or any omission to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and (ii) any breach of the Company's representations, warranties or covenants under this Agreement (unless such breach is based upon a breach of such Investor's representations, warranties or covenants under this Agreement or any violations by such Investor of state or federal securities laws or any conduct by such Investor which constitutes fraud, gross negligence, willful misconduct or malfeasance). If any action shall be brought against any Investor Party in respect of which indemnity may be sought pursuant to this Agreement, such Investor Party shall promptly notify the Company in writing, and the Company shall have the right to assume the defense thereof with counsel of its own choosing. Any Investor Party shall have the right to employ separate counsel in any such action and participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Investor Party except to the extent that (i) the employment thereof has been specifically authorized by the Company in writing, (ii) the Company has failed after a reasonable period of time following such Investor Party's written request that it do so, to assume such defense and to employ counsel or (iii) in such action there is, in the reasonable opinion of such separate counsel, a material conflict on any material issue between the position of the Company and the position of such Investor Party. The failure of an Investor Party to deliver written notice to the Company within a reasonable time of the delivery of notice of any such action, to the extent materially prejudicial to its ability to defend such action, shall relieve the Company of any liability to such Investor Party under this Section 4.7 with respect to such action, but the omission so to deliver written notice to the Company will not relieve the Company of any liability that it may have to such Investor Party otherwise than under this Section 4.7 or with respect to any other action. The Company will not be liable to any Investor Party under this Agreement (i) for any settlement by an Investor Party effected without the Company's prior written consent, which shall not be unreasonably withheld or delayed; or (ii) to the extent, but only to the extent, that a loss, claim, damage or liability is attributable to such Investor Party's fraud, gross negligence, willful misconduct or malfeasance or to such Investor Party's breach of any of the representations, warranties, covenants or agreements made by such Investor in this Agreement.

(b) In the event that the indemnity provided in this Section 4.7 is unavailable or insufficient to hold harmless an Investor Party (other than by reason of exceptions provided herein), the Company agrees to contribute to the aggregate Losses to which such Investor Party may be subject in such proportion as is appropriate to reflect the relative fault of the Company and such Investor Party in connection with the actions which resulted in such Losses as well as any other relevant equitable considerations. The Company and the Investors agree that it would not be just and equitable if contribution were determined by pro rata allocation or any other method of allocation which does not take account of the equitable considerations referred to above. Notwithstanding the provisions of this Section 4.7, no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who is not guilty of such fraudulent misrepresentation.

4.8 Standstill.

(a) Each Investor covenants and agrees that, except as set forth herein, neither such Investor nor any of its Affiliates shall directly or indirectly, in one transaction or a series of related transactions:

(i) acquire, offer to acquire, or agree to acquire, directly or indirectly, by purchase or otherwise, (x) any securities or direct or indirect rights to acquire any securities of the Company or any Subsidiary of the Company, or of any successor of the Company or any such Subsidiary, or (y) any assets of the Company or any division thereof or of any successor of the Company or any Subsidiary of the Company; *provided*, *however*, that the Investors shall be permitted to acquire, directly or indirectly, by purchase or otherwise, such number of securities or direct or indirect rights to acquire any securities of the Company as shall permit the Investors and their Affiliates to maintain their ownership percentage at 19.9% of the total issued and outstanding Common Shares;

(ii) seek or propose to influence or control the management or policies of the Company, make or in any way participate in, directly or indirectly, any “solicitation” of “proxies” (as such terms are used in the rules of the Commission) to vote any voting securities of the Company or any Subsidiary, or seek to advise or influence any person or entity with respect to the voting of any voting securities of the Company or any Subsidiary;

(iii) make any public announcement with respect to, or submit a proposal for or offer of (with or without conditions), any merger, amalgamation, recapitalization, reorganization, business combination or other extraordinary transaction involving the Company or any Subsidiary or any of their securities or assets;

(iv) enter into any discussions, negotiations, arrangements or understandings with any third party with respect to any of the foregoing, or otherwise form, join or in any way engage in discussions relating to the formation of, or participate in, a “group” within the meaning of Section 13(d)(3) of the Exchange Act, or relating in any way to, the Company or any of its securities;

(v) sell or otherwise transfer Common Shares to any Person or any Persons constituting a “group” within the meaning of Section 13(d)(3) of the Exchange Act, which after such sale or transfer would be the beneficial or record owner of 5% or more of the then outstanding Common Shares, unless each such Person agrees to be subject to the restrictions of this Section 4.8; *provided*, *however*, that the foregoing shall not apply to any sale or transfer of Common Shares in a *bona fide* public offering or ordinary broker transactions; or

(vi) request the Company, directly or indirectly, to amend or waive any provision of this Section 4.8 in a manner that would require any public disclosure by the Company, such Investor or any other Person.

(b) Each Investor’s obligations under this Section 4.8, except for the obligations under Section 4.8(a)(v), shall terminate immediately upon the fifth anniversary of this Agreement and each Investor’s obligations under Section 4.8(a)(v) shall terminate upon the earlier of (i) the fifth anniversary of this Agreement and (ii) the date when the Investors and their Affiliates beneficially own less than 14.56% of the outstanding Common Shares.

5. *CONDITIONS TO CLOSING.*

5.1 Conditions to Investors’ Obligations at the Closing. Each Investor’s obligations to effect the Closing, including without limitation its obligation to purchase the Securities at Closing, are conditioned upon the fulfillment (or waiver by such Investor in its sole and absolute discretion) of each of the following events as of the Closing Date:

5.1.1 the representations and warranties of the Company set forth in this Agreement shall be true and correct in all material respects as of the Closing Date as if made on such date (except that to the extent that any such representation or warranty relates to a particular date, such representation or warranty shall be true and correct in all material respects as of that particular date); *provided*, *however*, that such representations and warranties that are qualified by materiality or Material Adverse Effect shall be true and correct in all respects as so qualified;

5.1.2 the Company shall have complied with or performed in all material respects all of the agreements, obligations and conditions set forth in this Agreement that are required to be complied with or performed by the Company on or before the Closing;

5.1.3 the Company shall have delivered to such Investor a certificate, signed by a Co-Chief Executive Officer of the Company or the Chief Financial Officer of the Company and dated as of the Closing Date, certifying (i) that the conditions specified in Sections 5.1.1 and 5.1.2 above have been fulfilled, it being understood that such Investor may rely on such certificate as though it were a representation and warranty of the Company made herein, (ii) all resolutions of the Board of Directors (and committees thereof) relating to the Agreement and the transactions contemplated thereby and (iii) the incumbency of all officers of the Company executing the Agreements and any other agreement or document contemplated thereby;

5.1.4 the Company shall have delivered to such Investor opinions from McCarthy Tétrault LLP and/or Shearman & Sterling LLP, dated as of the Closing Date, covering the matters set forth in ***Exhibit A***;

5.1.5 the Company shall have delivered to such Investor a duly executed certificate representing the Securities being purchased by such Investor at the Closing;

5.1.6 trading in the Common Shares shall not have been suspended by the Commission or any Trading Market (except for any suspensions of trading of not more than one Trading Day solely to permit dissemination of material information regarding the Company) at any time since the date of execution of this Agreement, and the Common Shares shall have been at all times since such date listed for trading on a Trading Market; and

5.1.7 there shall be no injunction, restraining order or decree of any nature of any court or Government Authority of competent jurisdiction that is in effect that restrains or prohibits the consummation of the transactions contemplated hereby.

5.2 Conditions to Company's Obligations at the Closing. The Company's obligations to effect the Closing with each Investor are conditioned upon the fulfillment (or waiver by the Company in its sole and absolute discretion) of each of the following events as of the Closing Date:

5.2.1 the representations and warranties of such Investor set forth in this Agreement shall be true and correct in all material respects as of the Closing Date as if made on such date (except that to the extent that any such representation or warranty relates to a particular date, such representation or warranty shall be true and correct in all material respects as of that date); *provided*, *however*, that such representations and warranties that are qualified by materiality or Material Adverse Effect shall be true and correct in all respects as so qualified;

5.2.2 such Investor shall have complied with or performed all of the agreements, obligations and conditions set forth in this Agreement that are required to be complied with or performed by the Investor on or before the Closing;

5.2.3 there shall be no injunction, restraining order or decree of any nature of any court or Government Authority of competent jurisdiction that is in effect that restrains or prohibits the consummation of the transactions contemplated hereby; and

5.2.4 the Investors shall have tendered to the Company the Purchase Price for the Securities being purchased by it at the Closing by wire transfer of immediately available funds in accordance with the wire transfer instructions set forth on ***Exhibit B*** hereto.

6. *MISCELLANEOUS.*

6.1 Termination. This Agreement may be terminated by the Company or the Investors, by written notice to the other party, if the Closing has not been consummated by May 16, 2008; provided that no such termination will affect the right of any party to sue for any breach by the other party (or parties).

6.2 Survival; Severability. The covenants and indemnities, agreements, representations and warranties made by the parties herein shall survive the Closing, provided, however, that the representations and warranties set forth or made by each Investor herein will terminate upon the final sale by such Investor of such Investor's Securities. In the event that any provision of this Agreement becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Agreement shall continue in full force and effect without said provision; *provided* that in such case the parties shall negotiate in good faith to replace such provision with a new provision which is not illegal, unenforceable or void, as long as such new provision does not materially change the economic benefits of this Agreement to the parties.

6.3 Successors and Assigns. The terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and permitted assigns of the parties. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and permitted assigns any rights, remedies, obligations or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement. Each Investor may assign their respective rights and obligations hereunder, in connection with any private sale or transfer of the Securities in accordance with the terms hereof, as long as, as a condition precedent to such transfer, the transferee executes an acknowledgment agreeing to be bound by the applicable provisions of this Agreement, in which case the term "Investor" shall be deemed to refer to such transferee as though such transferee were an original signatory hereto. The Company may not assign its rights or obligations under this Agreement without the written consent of the Investors.

6.4 No Reliance. Each party acknowledges that (i) it has such knowledge in business and financial matters as to be fully capable of evaluating this Agreement and the transactions contemplated hereby, (ii) it is not relying on any advice or representation of any other party in connection with entering into this Agreement or such transactions (other than the representations made in this Agreement), (iii) it has not received from any other party any assurance or guarantee as to the merits (whether legal, regulatory, tax, financial or otherwise) of entering into this Agreement or the performance of its obligations hereunder, and (iv) it has consulted with its own legal, regulatory, tax, business, investment, financial and accounting advisors to the extent that it has deemed necessary, and has entered into this Agreement based on its own independent judgment and on the advice of its advisors as it has deemed necessary, and not on any view (whether written or oral) expressed by any other party.

6.5 Remedies. In addition to being entitled to exercise all rights provided herein or granted by law, including recovery of damages, each of the Company and each Investor will be entitled to seek specific performance under this Securities Purchase Agreement. The parties agree that monetary damages may not be adequate compensation for any loss incurred by reason of any breach of obligations described in the foregoing sentence and hereby agrees to waive in any action for specific performance of any such obligation (other than in connection with any action for temporary restraining order) the defense that a remedy at law would be adequate.

6.6 Governing Law; Jurisdiction; Waiver of Jury Trial. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York. Each party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in the Borough of Manhattan of the City of New York for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. Each party hereby waives all rights to a trial by jury.

6.7 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument. This Agreement may be executed and delivered by facsimile transmission.

6.8 Headings. The headings used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

6.9 Notices. Any notice, demand or request required or permitted to be given by the Company or any Investor pursuant to the terms of this Agreement shall be in writing and shall be deemed delivered (i) when delivered personally or by verifiable facsimile transmission, unless such delivery is made on a day that is not a Business Day, in which case such delivery will be deemed to be made on the next succeeding Business Day, (ii) on the next Business Day after timely delivery to an overnight courier and (iii) on the Business Day actually received if deposited in the U.S. mail (certified or registered mail, return receipt requested, postage prepaid), addressed as follows:

If to the Company:

IMAX Corporation
110 East 59th Street
Suite 2100
New York, New York 10022
Attn: Robert D. Lister, Esq.
Tel: (212) 821-0100
Fax: (212) 371-7584

with a copy (which shall not constitute notice) to:

Jason R. Lehner, Esq.
Shearman & Sterling LLP
599 Lexington Avenue
New York, New York 10022
Tel: (212) 848-4000
Fax: (212) 848-7179

If to the Investors:

Kevin Douglas
125 E Sir Francis Drake Boulevard
Larkspur, California 94939-1860
Tel: (415) 526-2200
Fax: (415) 526-2214

with a copy (which shall not constitute notice) to:

James Black, Esq.
Orrick, Herrington & Sutcliffe LLP
The Orrick Building
405 Howard Street
San Francisco, California 94105
Tel: (415) 773-5700
Fax: (415) 773-5759

6.10 Fees and Expenses. The Company shall pay all expenses incurred incident to the negotiation, preparation, execution, delivery and performance of this Agreement, including reasonable fees and expenses of the Investors' legal advisers incurred on or prior to the Closing Date. The Company shall pay all Transfer Agent fees, stamp taxes and other taxes and duties levied in connection with the sale and issuance of their applicable Securities.

6.11 Entire Agreement; Amendments. This Agreement constitutes the entire agreement between the parties with regard to the subject matter hereof, superseding all prior agreements or understandings, whether written or oral, between or among the parties. Except as expressly provided herein, neither this Agreement nor any term hereof may be amended except pursuant to a written instrument executed by the Company and the Investors, and no provision hereof may be waived other than by a written instrument signed by the party against whom enforcement of any such waiver is sought. Any waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

[Signature Pages to Follow]

IN WITNESS WHEREOF, the undersigned have duly executed this Securities Purchase Agreement as of the date first above written.

IMAX CORPORATION

By: */s/ Richard L. Gelfond*

Name: Richard L. Gelfond

Title: Co-Chief Executive Officer

K&M DOUGLAS TRUST

By: */s/ Kevin Douglas*
Name: Kevin Douglas
Title: Trustee

By: */s/ Michelle M. Douglas*
Name: Michelle Douglas
Title: Trustee

Number of Securities: 1,172,372

DOUGLAS FAMILY TRUST

By: */s/ James Douglas*
Name: James Douglas
Title: Trustee

By: */s/ Jean A.Douglas*
Name: Jean Douglas
Title: Trustee

Number of Securities: 545,289

JAMES DOUGLAS AND JEAN DOUGLAS IRREVOCABLE DESCENDANTS' TRUST

By: */s/ Kevin Douglas*
Name: Kevin Douglas
Title: Trustee

By: */s/ Michelle M. Douglas*
Name: Michelle Douglas
Title: Trustee

Number of Securities: 736,141

JAMES E. DOUGLAS III

/s/ James E. Douglas

Number of Securities: 272,645

In connection with the Securities Purchase Agreement, please provide the following information:

1. The exact name that your Securities are to be registered in (this is the name that will appear on your share certificate(s)). You may use a nominee name if appropriate:

   Douglas Family Trust (545,289)
   James Douglas and Jean Douglas Irrevocable Descendants' Trust (736,141)
   James E. Douglas III (272,645)
   K&M Douglas Trust (1,172,372)

2. The mailing address at which the Registered Holder listed in response to item 1 above would like to receive share certificate(s) and closing documents:

   c/o Douglas Telecommunications, Inc
   125 E. Sir Francis Drake Blvd., Ste. 400
   Larkspur, CA 94939

1. The Social Security Number or Tax Identification Number of the Registered Holder listed in response to item 1 above:

   Douglas Family Trust – ###-##-####
   James Douglas and Jean Douglas Irrevocable Descendants' Trust – 94-6729163
   James E. Douglas, III – ###-##-####
   K&M Douglas Trust – ###-##-####

EXHIBIT A

FORM OF LEGAL OPINIONS

McCARTHY TÉTRAULT LLP

(1) The Company is a corporation duly organized, validly existing and in good standing under the federal laws of Canada.

(2) The Securities have been duly authorized by all necessary corporate action on the part of the Company. The Securities, when issued, sold and delivered against payment therefor in accordance with the provisions of the Securities Purchase Agreement will be validly issued, fully paid and nonassessable, and the issuance of the Securities will not be subject to any pre-emptive rights or similar rights restricting the transfer of the Securities under the *Canada Business Corporations* Act or the Company's Articles of Incorporation or By-Laws or, to our knowledge, otherwise.

(3) The Company has full corporate power and corporate authority to enter into, perform, and consummate the transactions contemplated by the Agreement.

(4) The Agreement has been duly authorized by all necessary corporate action on the part of Company.

(5) The execution, delivery, and performance of the Agreement by Company and the consummation by Company of the transactions to be consummated at Closing do not conflict with or violate the Company's charter, bylaws or any other organizational or charter document.

(6) The execution, delivery and performance of the Agreement by Company and the consummation of the transactions contemplated thereby by Company to be consummated at the Closing do not and will not require Company to obtain any consent, approval, authorization, license, waiver, qualification, order or permit of, or require the Company to make any filing with or notification to, any Canadian federal or Ontario governmental or regulatory authority, domestic or foreign, except (a) for compliance with applicable requirements, if any, of Canadian securities laws, (b) for compliance with applicable requirements, if any, of The Toronto Stock Exchange, and (c) any filings, registrations and qualifications which if not made, would not be expected to have a Material Adverse Effect.

SHEARMAN & STERLING LLP

(1) The Agreement has been duly executed and delivered by Company and is a legal, valid, and binding obligation of Company, enforceable against Company in accordance with its terms, except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, arrangement, moratorium or other similar laws affecting creditors' rights, and subject to general equity principles and to limitations on availability of equitable relief, including specific performance.

(2) The offer, sale and issuance of the Securities to be issued in accordance with the Agreement are exempt from the registration requirements of Section 5 of the Securities Act of 1933, as amended.

EXHIBIT B

WIRE INSTRUCTIONS

Destination Bank:	WACHOVIA BANK N.A. NEW YORK
ABA Number:	026005092
SWIFT:	PNBPUS3NNYC
Beneficiary's Bank :	BANK OF MONTREAL INT'L BANKING H.O. MONTREAL
SWIFT:	BOFMCAM2
Beneficiary Customer:	IMAX CORPORATION
Account Number:	24774700073

IMAX CORPORATION

EXHIBIT 21

SUBSIDIARIES OF IMAX CORPORATION

Company Name	Jurisdiction of Organization	Percentage Held by Registrant
3183 Films Ltd.	Canada	100
1329507 Ontario Inc.	Ontario	100
2328764 Ontario Ltd.	Ontario	100
4507592 Canada Ltd.	Canada	100
6822967 Canada Ltd.	Canada	100
7096194 Canada Ltd.	Canada	100
7096267 Canada Ltd.	Canada	100
7096291 Canada Ltd.	Canada	100
7103077 Canada Ltd.	Canada	100
7109857 Canada Ltd.	Canada	100
7214316 Canada Ltd.	Canada	100
7550324 Canada Inc.	Canada	100
7550391 Canada Ltd.	Canada	100
7550405 Canada Ltd.	Canada	100
7742266 Canada Ltd.	Canada	100
7742274 Canada Ltd.	Canada	100
Animal Orphans 3D Ltd.	Ontario	100
Arizona Big Frame Theatres, L.L.C.	Arizona	100
Baseball Tour, LLC	Delaware	33 1/3
Coral Sea Films Ltd.	Canada	100
ILW Productions Inc.	Delaware	100
IMAX (Barbados) Holding, Inc.	Barbados	100
IMAX (Hong Kong) Holding, Limited	Hong Kong	100
IMAX China Holding, Inc.	Cayman Islands	100
IMAX China (Hong Kong), Limited	Hong Kong	100
IMAX (Shanghai) Multimedia Technology Co., Ltd.	People’s Republic of China	100
IMAX (Shanghai) Theatre Technology Services Co., Ltd.	People’s Republic of China	100
IMAX Chicago Theatre LLC	Delaware	99
IMAX 3D TV Ventures, LLC	Delaware	100
IMAX II U.S.A. Inc.	Delaware	100
IMAX Indianapolis LLC	Indiana	100
IMAX International Sales Corporation	Canada	100
IMAX Japan Inc.	Japan	100
IMAX Minnesota Holding Co.	Delaware	100
IMAX Music Ltd.	Ontario	100
IMAX Post/DKP Inc. (formerly DKP 70 MM Inc.)	Delaware	100
IMAX PV Development Inc.	Delaware	100
IMAX Rhode Island Limited Partnership	Rhode Island	99
IMAX (Rochester) Inc.	Delaware	100
IMAX Scribe Inc.	Delaware	100
IMAX Space Ltd.	Ontario	100
IMAX Space Productions Ltd.	Canada	100
IMAX Spaceworks Ltd.	Canada	100
IMAX Theatre Holding Co.	Delaware	100
IMAX Theatre Holdings (OEI), Inc.	Delaware	100
IMAX Theatre Management Company	Delaware	100
IMAX Theatre Services Ltd.	Ontario	100
IMAX U.S.A. Inc.	Delaware	100
Madagascar Doc 3D Ltd.	Canada	100
Magnitude Productions Ltd.	Canada	100
Nyack Theatre LLC	New York	99
Raining Arrows Productions Ltd.	Canada	100
Ridefilm Corporation	Delaware	100
Ruth Quentin Films Ltd.	Canada	100
Sacramento Theatre LLC	Delaware	99
Sonics Associates, Inc.	Alabama	100
Starboard Theatres Ltd.	Canada	100
Strategic Sponsorship Corporation	Delaware	100
Taurus-Littrow Productions Inc.	Delaware	100
The Deep Magic Company Ltd.	Canada	100
Walking Bones Pictures Ltd.	Canada	100

IMAX CORPORATION

EXHIBIT 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in (i) the Registration Statements on Form S-8 (No. 333-2076; No. 333-5720; No. 333-30970; No. 333-44412; No. 333-155262; No. 333-165400; No. 333-189274) and (ii) the Post-Effective Amendments No. 1 to Form S-8 (No. 333-5720, as amended and No. 333-165400) of IMAX Corporation of our report dated February 20, 2014, relating to the financial statements, financial statement schedule listed under Item 15(a)(2) and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants
Toronto, Ontario
February 20, 2014

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
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IMAX CORPORATION

EXHIBIT 24

POWER OF ATTORNEY

Each of the persons whose signature appears below hereby constitutes and appoints Joseph Sparacio and Robert D. Lister, and each of them severally, as his true and lawful attorney or attorneys with power of substitution and re-substitution to sign in his name, place and stead in any and all such capacities the Form 10-K, including the French language version thereof, and any and all amendments thereto and documents in connection therewith, and to file the same with the United States Securities Exchange Commission (the “SEC”) and such other regulatory authorities as may be required, each of said attorneys to have power to act with and without the other, and to have full power and authority to do and perform, in the name and on behalf of each of the directors of the Corporation, every act whatsoever which such attorneys, or either of them, may deem necessary or desirable to be done in connection therewith as fully and to all intents and purposes as such directors of the Corporation might or could do in person.

Dated this 20th day of February, 2014.

Signature	Title
/s/ Bradley J. Wechsler *Bradley J. Wechsler*	Chairman of the Board & Director
/s/ Richard L. Gelfond *Richard L. Gelfond*	Chief Executive Officer (Principal Executive Officer)
/s/ Neil S. Braun *Neil S. Braun*	Director
/s/ Eric A. Demirian *Eric A. Demirian*	Director
/s/ Garth M. Girvan *Garth M. Girvan*	Director
/s/ David W. Leebron *David W. Leebron*	Director
/s/ Michael Lynne *Michael Lynne*	Director
/s/ Michael MacMillan *Michael MacMillan*	Director
/s/ I. Martin Pompadur *I. Martin Pompadur*	Director

/s/ Marc A. Utay *Marc A. Utay*	Director
/s/ Joseph Sparacio *Joseph Sparacio*	Chief Financial Officer (Principal Financial Officer)
/s/ Jeffrey Vance *Jeffrey Vance*	Controller (Principal Accounting Officer)

IMAX CORPORATION

EXHIBIT 31.1

Certification Pursuant to Section 302 of the Sarbanes - Oxley Act of 2002

I, Richard L. Gelfond, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2013 of the registrant, IMAX Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 20, 2014

By: /s/ Richard L. Gelfond
Richard L. Gelfond
Chief Executive Officer

IMAX CORPORATION

EXHIBIT 31.2

Certification Pursuant to Section 302 of the Sarbanes - Oxley Act of 2002

I, Joseph Sparacio, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2013 of the registrant, IMAX Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 20, 2014

By: /s/ Joseph Sparacio
Joseph Sparacio
Executive Vice President and Chief Financial Officer

IMAX CORPORATION

EXHIBIT 32.1

CERTIFICATIONS
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (A) and (B) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), I, Richard L. Gelfond, Chief Executive Officer of IMAX Corporation, a Canadian corporation (the "Company"), hereby certify, to my knowledge, that:

The Annual Report on Form 10-K for the year ended December 31, 2013 (the "Form 10-K") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 20, 2014

/s/ Richard L. Gelfond
Richard L. Gelfond
Chief Executive Officer

IMAX CORPORATION

EXHIBIT 32.2

CERTIFICATIONS
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (A) and (B) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), I, Joseph Sparacio, Chief Financial Officer of IMAX Corporation, a Canadian corporation (the “Company”), hereby certify, to my knowledge, that:

The Annual Report on Form 10-K for the year ended December 31, 2013 (the “Form 10-K”) of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 20, 2014

/s/ Joseph Sparacio
Joseph Sparacio
Executive Vice President & Chief Financial Officer