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

FORM 10-K

(Mark One)

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001

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

COMMISSION FILE NUMBER 0-24216

IMAX CORPORATION

(Exact name of registrant as specified in its charter)

CANADA	98-0140269
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
2525 SPEAKMAN DRIVE, MISSISSAUGA, ONTARIO, CANADA (Address of principal executive offices)	L5K 1B1 (Postal Code)

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

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

TITLE OF EACH CLASS	NAME OF EXCHANGE ON WHICH REGISTERED
None	

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

COMMON SHARES, NO PAR VALUE
(Title of class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes |X| No | |

Indicate 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. |X|

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 February 28, 2002 was $68.1 million (19,396,174 common shares times $3.51). As of February 28, 2002, there were 32,915,858 common shares of the registrant outstanding.

DOCUMENT INCORPORATED BY REFERENCE*

Portions of the registrant's definitive Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A involving the election of directors and the annual meeting or the stockholders of the registrant scheduled to be held on or about June 5, 2002 (the "Proxy Statement") are incorporated by reference in Part III of this Form 10-K.

- ----------

* As stated under various Items of this Report, only certain specified portions of such document are incorporated by reference in this Report.

ANNUAL REPORT ON FORM 10-K

DECEMBER 31, 2001

TABLE OF CONTENTS

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 Federal Reserve Bank of New York (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 Federal Reserve Bank of New York 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, 2001 was U.S. $0.6267.

	YEARS ENDED DECEMBER 31,				
	2001	2000	1999	1998	1997
Exchange rate at end of period....................	U.S. $0.6267	U.S. $0.6669	U.S. $0.6925	U.S. $0.6522	U.S. $0.6999
Average exchange rate during period.............	0.6457	0.6732	0.6730	0.6740	0.7220
High exchange rate during period.....................	0.6697	0.6944	0.6925	0.7105	0.7471
Low exchange rate during period.....................	0.6241	0.6410	0.6535	0.6341	0.6945

SPECIAL NOTE REGARDING FORWARD-LOOKING INFORMATION

Certain statements included herein may constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, references to future capital expenditures (including the amount and nature thereof), business strategies and measures to implement strategies, competitive strengths, goals, expansion and growth of its business and operations, plans and references to the future success of IMAX Corporation together with its wholly owned subsidiaries (the "Company"). These forward-looking statements are based on certain assumptions and analyses made by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments as well as other factors it believes are appropriate in the circumstances. However, whether actual results and developments will conform with the expectations and predictions of the Company is subject to a number of risks and uncertainties, including, but not limited to, general economic, market or business conditions; the opportunities (or lack thereof) that may be presented to and pursued by the Company; competitive actions by other companies; conditions in the out-of-home entertainment industry; changes in laws or regulations; risks associated with investments and operations in foreign jurisdictions and any future international expansion, including those related to economic, political and regulatory policies of local governments and laws and policies of the United States and Canada; the potential impact of increased competition in the markets the Company operates within; and other factors, many of which are beyond the control of the Company. Consequently, all of the forward-looking statements made herein are qualified by these cautionary statements, and actual results or developments anticipated 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(R), IMAX(R) Dome, OMNIMAX(R), IMAX(R) 3D, IMAX(R) 3D Dome, Personal Sound Environment(R), The IMAX Experience(R), An IMAX Experience(R) and IMAX(R) DMR(TM) 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, with particular emphasis on film and digital imaging technologies including giant-screen images, three-dimensional ("3D") presentations, and post-production. The Company designs, manufactures and leases projection and sound systems for giant-screen, 15-perforation film frame, 70mm format ("15/70-format") theaters based on proprietary and patented technology and is a major distributor of films for giant-screen theaters.

The Company believes the IMAX theater network is the most extensive giant-screen theater network in the world with 227 theaters operating in 30 countries as of December 31, 2001. In addition to the existing library of general entertainment and educational 15/70-format films, the increased number of commercial IMAX theaters in operation has attracted more commercial films to the medium including films produced by major Hollywood studios. In 2000, Buena Vista Pictures Distribution, a unit of The Walt Disney Company, released Disney's animated feature Fantasia 2000: The IMAX Experience(R) to 75 IMAX theaters around the world. Fantasia 2000 was the first theatrical full-length feature film to be reformatted into 15/70-format film and became the fastest grossing large-format film in history. In January 2002, Disney released Beauty and the Beast to 77 IMAX theaters around the world and has stated that it will release an additional three films over the next 12 months. The Company recently perfected a proprietary process whereby it can take a 35mm negative and convert it into 15/70-format. The Company believes that this process which will allow live-action 35mm films to be converted for exhibit in IMAX theaters, will have a significant impact on the number and quality of films that are made available to IMAX theaters. The Company believes that the commercial success of Fantasia 2000 and Beauty and the Beast coupled with its new digital re-mastering technology has the potential to lead to additional Hollywood films being released to IMAX theaters which, could create further demand worldwide for commercial IMAX theaters.

The Company generally does not own IMAX theaters but leases its projection and sound systems, and licenses the use of its trademarks. IMAX theater systems combine advanced, high-resolution projection systems, sound systems and screens as large as eight stories high (approximately 80 feet) that extend to the edge of a viewer's peripheral vision to create immersive audio-visual experiences. As a result, audiences feel as if they are a part of the on-screen action in a way that is more intense and exciting than in traditional theaters. In addition, the Company's IMAX 3D theater systems combine the same projection and sound systems and up to eight story screens with 3D images that further increase the audience's feeling of immersion in the film. The Company believes that the network of IMAX 3D theaters is the largest out-of-home, 3D-distribution network in the world.

The Company 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 largest designer and supplier of specialty projection and sound systems and a significant producer and distributor of 15/70-format films for giant-screen theaters. The Company's theater systems include specialized projection equipment, advanced sound systems, specialty screens, theater automation control systems and film handling equipment. The Company derives a significant portion of its revenues from the sale and lease of its theater systems to giant-screen theaters and related film products and services. Segmented information is provided in note 18 to the audited financial statements contained in Item 8.

ITEM 1. BUSINESS (cont'd)

PRODUCT LINES (cont'd)

IMAX SYSTEMS

IMAX THEATERS

The Company is the pioneer and leader in the giant-screen, large-format film industry. The IMAX theater network has the largest installed base of giant-screen theater systems, with systems located in 227 theaters in 30 countries as of December 31, 2001. IMAX theaters have flat or dome shaped screens for two-dimensional ("2D") and 3D presentations which are many times larger than conventional theaters, extending to the edge of the viewer's peripheral vision. The theaters have a steeply inclined floor to provide all audience members a clear view of the screen and typically seat 250 to 500 people.

The Company's projection systems utilize the largest commercially available film format (15-perforation film frame, 70mm), which is 10 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 its 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, and substantially enhance the quality of the projected image. As a result, the Company's projection systems deliver a higher level of clarity, detail and brightness compared to conventional movies and competing systems.

To compliment the film technology and viewing experience, IMAX theater systems feature unique digital sound systems. The sound systems are among the most advanced in the industry and help to heighten the sense of realism of a 15/70-format film. IMAX sound systems are specifically designed for IMAX theaters and are an important competitive advantage of IMAX systems.

The following chart shows the number of the Company's theater systems by product, installed base and backlog as of December 31, 2001:

	2D			3D		
	PRODUCT	INSTALLED BASE	BACKLOG	PRODUCT	INSTALLED BASE	BACKLOG
Flat Screen..............	IMAX(R)	59	3	IMAX(R)3D	75	28
				IMAX(R)3D SR	26	25
Dome Screen..............	IMAX(R) Dome	63	3	IMAX(R)3D Dome	4	1

IMAX AND IMAX DOME SYSTEMS. IMAX and IMAX Dome systems make up the largest component of the Company's installed theater base. IMAX theaters, with a flat screen, were introduced in 1970, while IMAX Dome theaters, previously known as OMNIMAX(R) theaters, are designed for tilted dome screens and were introduced in 1973. There have been several significant proprietary and patented enhancements to these systems since their introduction.

IMAX 3D AND IMAX 3D SR SYSTEMS. IMAX 3D systems make up the largest component of the Company's backlog. IMAX 3D theaters utilize a flat screen 3D system which produces realistic three-dimensional images on a giant IMAX screen. The Company believes that the IMAX 3D system offers 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. The Company offers upgrades to existing theaters which have 2D IMAX projection systems to IMAX 3D projection systems. Since the introduction of IMAX 3D technology, the Company has upgraded 13 theater systems.

In 1997, the Company launched a smaller IMAX 3D system called IMAX 3D SR, a patented theater system that combines a proprietary theater design, a more automated projection system and specialized sound system to replicate the experience of a larger IMAX 3D theater in a smaller space (up to 270 seats). The IMAX 3D SR theater system is designed to be located primarily in multiplexes in smaller cities and to operate at lower costs than the larger IMAX 3D theater system.

IMAX 3D DOME SYSTEMS. IMAX 3D Dome theaters comprise a dome screen 3D system that projects the film onto a tilted dome such that objects not only appear to "come out" from the screen but also to envelop the viewer. IMAX 3D Dome projectors, like IMAX 3D projectors, can project both 2D and 3D films.

ITEM 1. BUSINESS (cont'd)

PRODUCT LINES (cont'd)

IMAX SYSTEMS (cont'd)

IMAX THEATERS (cont'd)

SALES BACKLOG. Signed contracts for theater system installations are listed as sales backlog prior to the time of revenue recognition. Sales backlog represents the total value of all signed system sales and lease agreements that are expected to be recognized as revenue in the future. Sales backlog includes initial rental fees along with the present value of contractual minimum rents due over the lease term, but excludes maintenance revenues as well as rents in excess of contractual minimums that might be received in the future. Sales backlog does not include revenues from theaters in which the Company has an equity-interest, agreements covered by letters of intent or conditional theater commitments.

THEATER SYSTEM LEASES

The Company's system leases generally have 10 to 20-year initial terms and are typically renewable by the customer for one or more additional 10-year terms. As part of the lease agreement, the Company advises the customer on theater design, custom assembles and supervises the installation of the theater system, provides training in using the equipment to theater personnel and for a separate fee provides ongoing maintenance to the system. Prospective theater owners are responsible for providing the theater location, the design and construction of the theater building, the installation of the system and any other necessary improvements. Under the terms of the typical lease agreement, the title to all theater system equipment (including the projection screen, the projector and the sound system) 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 contracts are generally denominated in U.S. dollars, except in Canada and Japan, where contracts are generally denominated in Canadian dollars and Japanese Yen, respectively.

The typical lease agreement provides for three major sources of revenue: (i) initial rental fees, (ii) ongoing additional rental payments and (iii) ongoing maintenance fees. Rental payments and maintenance fees are generally received over the life of the contract and are usually adjusted annually based on changes in the local consumer price index. The terms of each lease agreement vary according to the system technology provided and the geographic location of the customer.

SOUND SYSTEMS

Sonics Associates, Inc. ("Sonics"), the Company's 100% owned subsidiary, is a world leader in the development and manufacture of sound systems for all applications including traditional movie theaters, auditoriums and specialized uses including the development of 3D sound capabilities, and manufactures the sound systems for IMAX theaters. Prior to October 1, 1999, Sonics was 51% owned by the Company and 49% owned by four executive officers of Sonics. On October 1, 1999, the Company purchased the remaining 49% of Sonics that it did not own (see note 23 to the audited financial statements contained in Item 8). In February 2001, the Company decided to relocate the manufacture of sound systems from Birmingham, Alabama to the Company's headquarters near Toronto, Canada.

ITEM 1. BUSINESS (cont'd)

PRODUCT LINES (cont'd)

FILMS

FILM PRODUCTION, DISTRIBUTION AND POST-PRODUCTION

The Company produces films financed either internally or partially or fully financed by third parties. With respect to films financed by third parties, the Company generally receives a film production fee in exchange for producing the films and is appointed the exclusive distributor of the film. When the Company produces films, it typically hires production talent and specialists on a project-by-project basis, similar to a movie studio, allowing the Company to retain creative and quality control without the burden of significant ongoing overhead expenses. Typically, the ownership rights to films produced for third parties are held by the film sponsors, the film investors and the Company.

The Company is a significant distributor of 15/70-format films. The Company generally distributes films which it produces and has acquired distribution rights to films produced by independent producers. The Company has distribution rights to more 15/70-format films than any competing distributor. As distributor, the Company generally receives a percentage of the theater box office receipts.

The library of 15/70-format films includes general entertainment and educational films on subjects such as space, wildlife, music, history and natural wonders, and consisted of 179 films at the end of 2001, of which the Company had distribution rights to 54 such films. In recent years, several 15/70-format commercial films have been successfully released, including T-REX: Back to the Cretaceous, which was released by the Company in 1998 and has grossed over $63.7 million to date, Everest, which was released by MacGillivray Freeman Films in 1998 and has grossed over $114.0 million to date and Fantasia 2000: The IMAX Experience(R) which was released by the Company and Buena Vista Pictures Distribution, a unit of The Walt Disney Company in 2000. This was the first theatrical full-length feature film to be reformatted into 15/70-format film and it became the fastest grossing large-format film in history and has grossed over $91.5 million to date. 15/70-format films have significantly longer exhibition periods than conventional 35mm films and many of the films in the library have remained popular for significantly longer periods including the films To Fly! (1976), Grand Canyon - The Hidden Secrets (1984) and The Dream Is Alive (1985), which were all exhibited during 2001. In 2001, there were 12 new films released in the 15/70-format.

David Keighley Productions 70MM Inc., a wholly-owned subsidiary of the Company, provides film post-production and quality control services for 15/70-format films (whether produced internally or externally), and digital post-production services.

DIGITAL RE-MASTERING ("IMAX(R) DMR(TM)")

The Company has developed a proprietary, patent-pending technology to digitally re-master 35mm live-action films into 15/70-format film for exhibition in IMAX theaters. This system, known as IMAX(R) DMR(TM), digitally enhances image resolution quality of 35mm motion picture films for projection on screens up to eight stories high and up to 120 feet wide, while maintaining the visual clarity and sound quality for which IMAX films are known. The Company believes that this technology could open the IMAX theater network up to releases of Hollywood films including both library titles and simultaneous new releases. The Company believes that the development of this new technology is key to helping it execute on its strategy of becoming a new release window for Hollywood films.

ITEM 1. BUSINESS (cont'd)

PRODUCT LINES (cont'd)

OTHER

THEATER OPERATIONS AND INVESTMENTS

The Company has six owned and operated theaters and two theaters which the Company shares in profits and losses.

In the case of theaters which the Company shares in profits and losses, the Company generally contributes the projection and sound system to the theater in exchange for a percentage of the theater revenues and/or profits and losses. The Company's partner is generally responsible for constructing and outfitting the theater. The Company may also provide management services in return for a fee or a percentage of theater revenues as part of the equity interest.

CAMERAS. The Company rents 2D and 3D 15/70-format cameras and provides technical and post-production services to third-party producers for a fee. The Company maintains 13 cameras and other film equipment to support third-party producers and also offers production advice and technical assistance to filmmakers.

The Company has developed state-of-the-art patented dual and single filmstrip 3D cameras which are among the most advanced motion pictures cameras in the world and are the only 3D cameras of their kind. The IMAX 3D camera simultaneously shoots left-eye and right-eye images and its compact size allows filmmakers access to a variety of locations, such as underwater or aboard aircrafts. The Company has three dual filmstrip cameras available for rent.

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, Europe, Singapore and Japan. 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.

The Company has experienced an increase in the number of commercial theater signings and international signings since 1995. The commercial theater segment of the Company's theater network is now its largest segment with a total of 142 theaters opened or in backlog. At December 31, 2001, 43.9% of all opened and in backlog theaters are for locations outside of North America. The Company's institutional customers include science and natural history museums, zoos, aquaria and other educational and cultural centers. The Company also leases its systems to theme parks, tourist destination sites, fairs and expositions.

The Company's 2001 financial results were adversely affected by the significant number of bankruptcies in the North American exhibition industry. The Company believes that the majority of this restructuring process is now complete and expects the North American commercial exhibition market will again be a significant source of clients for the Company.

INDUSTRY AND COMPETITION

The Company competes with a number of manufacturers of large-format film projection systems; however, the IMAX theater network and the number of 15/70-format films to which the Company has distribution rights are substantially larger than those of its 15/70-format competitors. The Company's customers generally consider a number of criteria when selecting a large-format theater including quality, reputation, brand name recognition, type of system, features, price and service. The Company believes that its competitive strengths include the value of the IMAX(R) brand name, the quality and historic up-time of IMAX theater systems, the number and quality of 15/70-format films that it distributes, the quality of the sound system included with the IMAX theater and the level of the Company's service and maintenance efforts.

ITEM 1. BUSINESS (cont'd)

INDUSTRY AND COMPETITION (cont'd)

The commercial success of the Company's products is ultimately dependent upon consumer preferences. The out-of-home entertainment industry in general continues to go through significant changes, primarily due to technological developments and changing consumer tastes. Numerous companies are developing new entertainment products for the out-of-home entertainment industry in response to these changes, and some of these new products are or may be directly competitive with the Company's products. Competitors may design products which are more attractive to consumers and/or more cost effective than the Company's products and that may make the Company's products less competitive. The Company's existing products may not continue to compete effectively and be attractive to consumers and products under development may never be attractive to consumers or be competitive. The Company may also face competition from companies in the entertainment industry with substantially greater financial and other resources than the Company.

RESEARCH AND DEVELOPMENT

The Company believes that it is one of the world's leading entertainment technology companies with significant in-house proprietary expertise in projection system, camera and sound system design, engineering and technology. The Company believes that the motion picture industry will be affected by the development of digital technologies, particularly in the areas of content creation (image capture), post-production (editing and special effects), digital re-mastering (such as IMAX(R) DMR(TM)), distribution and display. The Company has made significant investments in digital technologies, including the development of a proprietary, patent-pending technology to digitally enhance image resolution and quality of 35mm motion picture films and has a number of patents pending and intellectual property rights in these areas.

The IMAX(R) DMR(TM) technology converts a 35mm frame into digital form at very high resolution. The proprietary system recreates a pristine form of the original photography. A proprietary computer process makes the images sharper than the original and the completed re-mastered film, now 10 times larger than the original, is transferred onto the world's largest film format, 15/70-format. In addition, each film's original soundtrack is also recreated adding another sonic dimension to upgrade the original movie soundtrack to Company standards.

In addition, the Company has substantial proprietary knowledge in 15/70-format film production.

Several of the underlying technologies and resulting products and systems of the Company are covered by patents or patent applications. Other underlying technologies are available to competitors, in part because of the expiration of certain patents owned by the Company. The Company, however, has successfully obtained patent protection covering several of its significant improvements made to such technologies. The Company plans to continue to fund research and development activity in areas considered important to the Company's continued commercial success.

As of December 31, 2001, 25 of the Company's employees were connected with research and development projects.

MANUFACTURING AND SERVICE

IMAX MANUFACTURING

The Company assembles its giant-screen projection systems at its Corporate Headquarters and Technology Center in Mississauga, Canada (near Toronto). A majority of the components for the Company's systems are purchased from outside vendors. The Company develops and designs all the key elements for the proprietary technology involved in its projector and camera systems. Fabrication of these components is then subcontracted to a group of carefully pre-qualified suppliers. Manufacture and supply contracts are signed for the delivery of components on an order-by-order basis. The Company has developed long-term relationships with a number of significant suppliers, and the Company believes its existing suppliers will continue to supply quality products in quantities sufficient to satisfy its needs. The Company inspects all components and sub-assemblies, completes the final assembly and then subjects the systems to comprehensive testing prior to shipment. Since 1980, IMAX theater systems have had an average in-service time of over 99.9%.

ITEM 1. BUSINESS (cont'd)

MANUFACTURING AND SERVICE (cont'd)

SONICS MANUFACTURING

Sonics develops, designs and assembles the key elements of its theater sound systems. The standard IMAX theater sound system comprises components from a variety of sources with approximately 50% of the materials cost of each system attributable to proprietary components provided under Original Equipment Manufacturers agreements with outside vendors. These proprietary components include custom loudspeaker enclosures and horns and specialized amplifiers, signal processing and control equipment. In February 2001, the Company decided to relocate the manufacture of sound systems from Birmingham, Alabama to the Company's headquarters near Toronto, Canada.

SERVICE AND MAINTENANCE

The Company provides key services and support functions for the IMAX theater network and for filmmakers. To support the IMAX theater network, the Company has personnel stationed in major markets who provide periodic and emergency service and maintenance on existing systems throughout the world. The Company's personnel typically visit each theater every three months to service the projection and sound systems. The Company also provides theater design expertise for both the visual and audio aspects of the theater, as well as system installation and equipment training.

PATENTS AND TRADEMARKS

The Company's inventions cover various aspects of its proprietary technology and many of such inventions are protected by Letters of Patent or applications filed throughout the world, most significantly in the United States, Canada, Japan, Korea, France, Germany and the United Kingdom. The subject matter covered by these patents and applications encompasses electronic circuitry and mechanisms employed in film projectors and projection systems (including 3D projection systems) and a method for synchronizing digital data systems. The Company has been diligent in the protection of its proprietary interests.

The Company currently holds 10 patents, has 13 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 projector, IMAX 3D Dome and sound systems expire between 2008 and 2018.

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(R), The IMAX Experience(R), An IMAX Experience(R), IMAX(R) DMR(TM), IMAX(R) 3D, IMAX(R) Dome, IMAX(R) 3D Dome, Personal Sound Environment(R) and OMNIMAX(R). These trademarks are widely protected by registration or common law throughout the world. The Company also owns the service mark IMAX THEATRE(TM). The Company vigorously enforces its trademarks and trade names against whomever it believes is infringing upon its rights.

EMPLOYEES

As of December 31, 2001, the Company had 345 employees not including hourly employees at Company owned and operated theaters.

ITEM 2. PROPERTIES

The Company's principal executive offices are located in Mississauga, Ontario, Canada and New York, New York. 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
New York, New York..........	Executive	Lease	2004
Birmingham, Alabama	Sound Systems Design and Assembly	Own	N/A
Kempten, Germany(2).........	Sales and Marketing	Lease	2002
Santa Monica, California....	Sales, Marketing, Film Production and Post-Production	Lease	2012
Singapore...................	Sales and Marketing	Lease	2002
Tokyo, Japan................	Sales, Marketing, Maintenance and Theater Design	Lease	2002

(1) This facility is subject to a collateral secured charge in favor of Technicolor Inc. in connection with an upfront discount payment received in February 2002 (see note 22 to the audited financial statements contained in Item 8).

(2) This facility was closed as a business office in March 2002.

ITEM 3. LEGAL PROCEEDINGS

In November 2001, the Company filed a complaint with the High Court of Munich (the "Court") against Big Screen, a German large-screen cinema owner in Berlin (the "Big Screen") demanding payment of outstanding Additional Rent and certain other amounts owed to the Company. Big Screen has raised a defense based on alleged infringement of German antitrust rules, relating mainly to an allegation of excessive pricing. The Big Screen is also a member of Euromax, an association of European large-screen cinema owners that filed a complaint in 2000 with the European Commission based on European Community ("EC") competition rules, addressing broadly similar allegations against the Company. In mid-2001, the European Commission sent a preliminary letter to Euromax proposing to reject the complaint based on EC competition rules. The European Commission has not yet taken a final decision. Although the Court has the power to reject or reduce the Company's demands for payment, and the European Commission has the power to impose fines and order cessation of any infringements of EC competition rules, the Company believes that on the basis of currently available information, including the Commission's rejection letter and an initial review of the facts and law, that such results are not likely. The Company believes that all of the allegations in the complaint as well as the allegations in Big Screen's individual defense are meritless and will accordingly continue to defend these matters vigorously. The Company believes that the amount of the loss, if any, suffered in connection with this dispute would not have a material impact on the financial position or results of operations of the Company, although no assurance can be given with respect to the ultimate outcome of any such litigation.

In June 2000, a complaint was filed against the Company and a third party by Mandalay Resort Group f/k/a Circus Circus Enterprises, Inc., alleging breach of contract and express warranty, fraud and misrepresentation in connection with the installation of certain motion simulation bases in Nevada. The case is being heard in the U.S. District Court for the District of Nevada. The complaint alleges damages in excess of $4.1 million. The Company believes that the allegations made against it in the complaint are meritless and will accordingly defend the matter vigorously. The Company further believes that the amount of loss, if any, suffered in connection with this lawsuit would not have a material impact on the financial position or results of operations of the Company, although no assurance can be given with respect to the ultimate outcome of any such litigation.

In December 2000, the Company filed a complaint against George Krikorian Premiere Theaters LLC and certain other related parties (collectively "Krikorian") in the U.S. District of California, alleging breach of contract and fraud resulting in damages to the Company in excess of $6.0 million. In February 2001, Krikorian filed counterclaims against the Company alleging, among other things, fraudulent inducement and negligent misrepresentation, which counterclaims were subsequently dismissed and then amended. Further counterclaims were filed in May 2001. The Company believes that the allegations made against it in the counterclaims are meritless and will defend against them vigorously. The Company believes that the amount of loss, if any, suffered in connection with any such claims 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 any such litigation.

ITEM 3. LEGAL PROCEEDINGS (cont'd)

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

In August 2000, Edwards Theaters Circuit, Inc. and related companies ("Edwards") filed for protection under Chapter 11 of the United States bankruptcy code in the U.S. Bankruptcy Court for the Central District of California, Santa Ana Division. Pursuant to a stipulation reached among Edwards and the Company and approved by the court, Edwards' leases of Company theater system equipment were deemed rejected as of August 1, 2001. On August 2, 2001, the Company filed a proof of claim in the amount of $28.9 million for amounts due and owing to the Company at the time of the commencement of the bankruptcy and for damages arising from Edwards' rejection of the leases pursuant to section 365 of the Bankruptcy Code. In addition, on August 1, 2001, the Company brought an adversary action in the bankruptcy court against Edwards for violations of the Lanham Act for unfair competition and false advertising, trademark dilutions under federal and state law, common law trademark infringement and unfair competition, unfair business practices under state law and misappropriation of trade secrets. Edwards has objected to the Company's claim and moved to disallow it and, on September 4, 2001, Edwards answered the Company's complaint and asserted counterclaims against the Company, alleging non-compliance with the California Franchise Investment Law and negligent misrepresentation. By stipulation of the Company and Edwards, the motion to disallow the Company's claim, and the adversary action filed by the Company including Edwards' counterclaims have been consolidated. In March 2002, Edwards amended its counterclaim to add additional counts, including fraudulent concealment and intentional misrepresentation. The Company intends to move for summary judgement on all claims in the action immediately upon the conclusion of discovery in May 2002. The Company believes that the allegations made by Edwards in its objection to the Company's claim and Edwards' counterclaims are entirely without merit and the Company has and will accordingly defend the matter vigorously. The Company believes that the amount of loss, if any, suffered in connection with such 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 any such litigation.

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

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of the security holders during the quarter ended December 31, 2001.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's common shares are listed for trading under the trading symbol "IMAX" on the Nasdaq National Market System ("Nasdaq"). The common shares are also listed on The Toronto Stock Exchange ("TSE") 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 Nasdaq and the TSE.

	U.S. DOLLARS	
	HIGH	LOW
NASDAQ		
Year ended December 31, 2001		
Fourth quarter	2.650	0.760
Third quarter	2.470	0.550
Second quarter	3.219	1.450
First quarter	7.188	2.750
Year ended December 31, 2000		
Fourth quarter	16.938	2.500
Third quarter	29.438	13.188
Second quarter	24.125	18.000
First quarter	28.500	19.500

	CANADIAN DOLLARS	
	HIGH	LOW
TSE		
Year ended December 31, 2001		
Fourth quarter	4.100	1.150
Third quarter	3.700	0.800
Second quarter	5.100	2.250
First quarter	10.900	4.200
Year ended December 31, 2000		
Fourth quarter	25.650	3.800
Third quarter	42.500	20.000
Second quarter	35.000	27.550
First quarter	40.500	29.000

As of December 31, 2001 the Company had 271 registered holders of record on the Company's common shares.

The Company has not paid within the last three fiscal years, and has no current plans to pay, 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 10 to the audited financial statements in Item 8 and the discussion of 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.

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 U.S. Holder. A "U.S. Holder" generally means a holder of common shares that is an individual resident of the United States or a United States corporation. 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).

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS (cont'd)

CERTAIN INCOME TAX CONSIDERATIONS (cont'd)

UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS (cont'd)

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 ordinary 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). 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 United States-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.

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. The deduction of capital losses is subject to limitations for U.S. federal income tax purposes.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

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 relevant tax treaty) will be payable on dividends paid or credited to a holder of common shares. Under 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 treaty (or 5.0% if the holder is a corporation that owns at least 10.0% of the common shares).

CAPITAL GAINS AND LOSSES

Subject to the provisions of a 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 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 prescribed stock exchange (which currently includes The Toronto Stock Exchange) unless such holder, persons with whom such holder did not deal at arm's length or such holder together with all such persons, owned 25.0% or more of the issued shares of any class or series of shares of the Company at any time within the 60 month period immediately preceding such time.

Under the Canada-United States income tax treaty, a holder who is a resident of the United States for purposes of such 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.

ITEM 6. SELECTED FINANCIAL DATA

(In thousands of U.S. dollars, except per share amounts)

The selected financial data set forth below is derived from the audited consolidated financial statements of the Company. The financial statements have been prepared in accordance with United States Generally Accepted Accounting Principles. All financial information referred to herein is expressed in U.S. dollars unless otherwise noted.

	YEARS ENDED DECEMBER 31,				
	2001	2000	1999	1998	1997
STATEMENTS OF OPERATIONS DATA:					
REVENUE					
IMAX systems	$ 76,582	$ 113,226	$ 126,826	$ 140,874	$ 97,539
Films	29,923	41,711	47,227	30,824	39,683
Other	12,154	18,179	18,783	18,657	21,259
Total revenue	118,659	173,116	192,836	190,355	158,481
COSTS OF GOODS AND SERVICES(1)	97,391	112,655	97,973	111,784	73,806
GROSS MARGIN	21,268	60,461	94,863	78,571	84,675
Selling, general and administrative expenses(2)	48,962	53,384	34,450	38,777	32,115
Research and development	3,385	6,497	3,136	2,745	2,129
Amortization of intangibles(3)	3,005	2,948	2,159	5,948	2,701
Loss (income) from equity-accounted investees(4)	(73)	4,811	683	6,763	22
Restructuring costs and asset impairments(5)	59,868	11,152	-	-	-
EARNINGS (LOSS) FROM OPERATIONS	(93,879)	(18,331)	54,435	24,338	47,708
Interest income	847	3,285	9,977	5,320	5,604
Interest expense	(22,020)	(21,961)	(21,860)	(14,646)	(13,402)
Impairment of long-term investments(6)	(5,584)	(4,133)	-	-	-
Foreign exchange gain (loss)	(1,357)	(1,781)	977	588	(623)
EARNINGS (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND MINORITY INTEREST	(121,993)	(42,921)	43,529	15,600	39,287
Recovery of (provision for) income taxes(7)	(11,005)	13,139	(16,642)	(9,810)	(17,265)
EARNINGS (LOSS) FROM CONTINUING OPERATIONS BEFORE MINORITY INTEREST	(132,998)	(29,782)	26,887	5,790	22,022
Minority interest	-	-	(1,207)	(1,895)	(1,357)
NET EARNINGS (LOSS) FROM CONTINUING OPERATIONS	(132,998)	(29,782)	25,680	3,895	20,665
Net loss from discontinued operations	(50,850)	(2,055)	(447)	-	-
NET EARNINGS (LOSS) BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES AND EXTRAORDINARY ITEMS	(183,848)	(31,837)	25,233	3,895	20,665
Cumulative effect of changes in accounting principles, net of income tax benefit of $37,286(8)	-	(61,110)	-	-	-
Extraordinary loss on early retirement of debt, net of income tax benefit of $1,588(9)	-	-	-	(2,095)	-
Extraordinary gain on repurchase of convertible subordinated notes, net of income tax expense of $16,843(10)	38,734	-	-	-	-
NET EARNINGS (LOSS)	$ (145,114)	$ (92,947)	$ 25,233	$ 1,800	$ 20,665
EARNINGS (LOSS) PER SHARE: Earnings (loss) per share - basic:					
Net earnings (loss) from continuing operations	$ (4.30)	$ (1.00)	$ 0.86	$ 0.10	$ 0.71
Net loss from discontinued operations	$ (1.64)	$ (0.07)	$ (0.01)	$ -	$ -
Net earnings (loss) before cumulative effect of changes in accounting principles and extraordinary items	$ (5.94)	$ (1.07)	$ 0.85	$ 0.10	$ 0.71
Cumulative effect of changes in accounting principles	$ -	$ (2.04)	$ -	$ -	$ -
Extraordinary items	$ 1.25	$ -	$ -	$ (0.07)	$ -
Net earnings (loss)	$ (4.69)	$ (3.11)	$ 0.85	$ 0.03	$ 0.71
Earnings (loss) per share - diluted:					
Net earnings (loss) from continuing operations	$ (4.30)	$ (1.00)	$ 0.84	$ 0.09	$ 0.68
Net loss from discontinued operations	$ (1.64)	$ (0.07)	$ (0.01)	$ -	$ -
Net earnings (loss) before cumulative effect of changes in accounting principles and extraordinary items	$ (5.94)	$ (1.07)	$ 0.83	$ 0.09	$ 0.68
Cumulative effect of changes in accounting principles	$ -	$ (2.04)	$ -	$ -	$ -
Extraordinary items	$ 1.25	$ -	$ -	$ (0.06)	$ -
Net earnings (loss)	$ (4.69)	$ (3.11)	$ 0.83	$ 0.03	$ 0.68

ITEM 6. SELECTED FINANCIAL DATA (cont'd)

(1) The year ended December 31, 2001 costs of goods and services includes a $4.1 million and a $16.5 million charge relating to a reduced realizable value of the Company's inventories and reduced fair values of the Company's film assets, respectively. The year ended December 31, 2000 included a $8.6 million charge which relates to the write-down of certain films in distribution. The year ended December 31, 1998 included a $7.9 million charge related to rationalization of the Company's motion simulation division and $19.1 million related to the write-down of the value of some of the Company's films.

(2) The year ended December 31, 2001 selling, general and administrative expenses includes a $2.6 million non-cash charge for incurred compensation resulting from a stock grant issuance and $4.5 million relating to the Company's accounts receivable, as collectibility on certain accounts was considered uncertain. The year ended December 31, 2000 included an $13.1 million charge for estimated uncollectible accounts receivable.

(3) Amortization of intangibles in 1998 included a $3.3 million charge related to the write-off of goodwill associated with the Ridefilm business.

(4) In 2000, loss (income) from equity-accounted investees included a $4.0 million provision related to the guarantee of a term loan undertaken by the Forum Ride Associates joint venture. In 1998, it included the Company's 50% share of the loss of Forum Ride Associates and a provision against the remaining carrying value of the Company's equity investment in Forum Ride Associates totaling $6.1 million and a $0.5 million provision against an equity investment in a motion simulation ride.

(5) In 2001, restructuring costs and asset impairments includes $16.3 million related to efforts to stabilize and rationalize the business by reducing its overall corporate workforce and consolidation of its operations, which included relocating its sound-system facility to near Toronto, Canada. In the assessment of the assets, the Company recorded charges of $13.6 million relating to net investment in leases, $26.7 million of fixed assets, and $3.3 million of other assets. In 2000, asset impairments included charges of $11.2 million relating to fixed assets.

(6) Impairment of long-term investments represents a charge of $5.6 million and $4.1 million relating to the impairment of certain of the Company's long-term investments, for the years ended December 31, 2001 and 2000, respectively.

(7) In 2001, deferred income tax expense includes a $41.2 million increase in the valuation allowance to reflect uncertainty associated with realization of the Company's deferred income tax asset.

(8) The year ended December 31, 2000, the Company recognized an after-tax charge of $54.5 million in accordance with the interpretive guidance of SEC Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" ("SAB 101"). In fiscal 2000, the Company also adopted AICPA Statement of Position 00-2, "Accounting by Producers or Distributors of Film" (SOP 00-2") and recorded an after-tax charge of $6.6 million to reflect the adoption of this new principle.

(9) In 1998, all of the 10% Senior Notes due 2001 were redeemed. The excess of the redemption price over the principal amount of $2.8 million and the write-off of the unamortized deferred financing costs of $0.9 million resulted in an extraordinary pre-tax loss of $3.7 million.

(10) During 2001, the Company and a wholly owned subsidiary of the Company purchased and cancelled an aggregate of $70.4 million of the Company's convertible subordinated notes for $13.7 million, represented by $12.5 million in cash by the subsidiary and $1.2 million in common shares by the Company.

	AS AT DECEMBER 31,				
BALANCE SHEETS DATA:	2001	2000	1999	1998	1997
Cash, cash equivalents and investments in marketable debt securities......................................	$ 26,388	$ 34,310	$121,502	$202,941	$ 90,530
Total assets(1)..	261,512	492,100	538,237	490,091	344,359
Total long-term indebtedness...........................	229,643	300,000	300,000	300,000	165,000
Total shareholders' equity (deficit)...................	(118,448)	22,263	111,065	84,446	81,117

(1) includes the assets of discontinued operations.

ITEM 6. SELECTED FINANCIAL DATA (cont'd)

PRO FORMA AMOUNTS IN ACCORDANCE WITH SAB 101:

	1999
Pro forma amounts for the year ended December 31, 1999 as if SAB 101 had been applied during all years presented:	
Revenue	$166,617
Net earnings	$ 7,655
Basic earnings per share	$ 0.26
Diluted earnings per share	$ 0.25

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

The Company is one of the world's leading entertainment technology companies and is known for presenting the world's best cinematic presentations together with IMAX and IMAX 3D. The IMAX(R) brand is recognized throughout the world for extraordinary and immersive family experiences. As of December 2001, there were 227 theaters operating in 30 countries. It is estimated that more than 700 million people have seen an IMAX presentation since the medium premiered in 1970.

The Company derives revenue principally from long-term theater system lease agreements, maintenance agreements, the distribution of films and film production agreements. The Company also derives revenue from the operation of theaters in which the Company owns, camera rentals and post-production services.

THEATER SYSTEMS

The Company generally provides its theater systems to customers on a long-term lease basis with initial lease terms of typically 10 to 20 years. Lease agreements typically provide for three major sources of revenue: (i) initial rental fees; (ii) ongoing rental payments which include annual contractual minimum payments; and (iii) maintenance fees. The initial rental fees vary depending on the type of system and location and generally are paid to the Company in installments commencing upon the signing of the agreement. Ongoing rental payments are paid monthly over the term of the contract, commencing after system installation and are generally equal to the greater of a fixed minimum amount per annum and a percentage of box office receipts. An annual maintenance fee is generally payable commencing in the second year of theater operations. Both minimum rental payments and maintenance fees are typically indexed to the consumer price index.

Theater system leases that transfer substantially all of the benefits and risks of ownership to customers are classified as sales-type leases as a result of meeting the criteria established by FASB Statement of Financial Accounting Standards No. 13 "Accounting for Leases". All other leases are treated as operating leases. Revenue from sales-type leases is recorded at the time the installation process is complete; persuasive evidence of an agreement exists; the price is fixed or determinable and collection is reasonably assured. Upon revenue recognition, the initial rental fees due under the contract, along with the present value of minimum ongoing rental payments are recorded as revenues and the related projector costs including installation expenses are recorded in cost of goods and services. In accordance with the interpretive guidance of SAB 101 (see note 24 of the audited financial statements in Item 8), effective January 1, 2000, the Company recognizes revenue on theater systems, sales-type leases and sales, at the time that installation is complete. Prior to January 1, 2000, the Company recognized revenue from sales-type leases and sales of theater systems at the time of delivery. The Company in certain circumstances sells theater systems.

Cash received in advance of installation is recorded as deferred revenue. The associated costs of manufacturing the theater system are recorded as inventory. At the time of installation, the deferred revenue is recognized in income, and the inventory costs are fully expensed.

The timing of installation of the theater system is largely dependent on the timing of the construction of the customer's theater. Therefore, while revenue for theater systems is generally predictable on a long-term basis, it can vary from quarter to quarter depending on the timing of installation.

The Company is dependent in part on the viability of the North American commercial exhibitor market for collections under long-term leases and for future system contracts. In the last few years, many of the North American commercial exhibitor chains faced financial difficulties due to over-expansion, which in some cases led to bankruptcy proceedings and/or consolidations. Recently, many of these exhibitors have emerged from those proceedings with new capital. Some have raised capital in the public markets, while others have plans to do so. While the Company views these recent developments in the North American commercial exhibitor market as positive, there is no guarantee that they will continue.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (cont'd)

GENERAL (cont'd)

FILM PRODUCTION AND DISTRIBUTION

The Company adopted SOP 00-2, (see note 24 of the audited financial statements in Item 8) effective January 1, 2000. Prior to January 1, 2000, revenues associated with the licensing of exhibition rights to motion pictures distributed by the Company were recognized in accordance with FASB Statement of Financial Accounting Standard No. 53, "Financial Reporting by Producers and Distributors of Motion Picture Films". In accordance with SOP 00-2, the Company recognizes revenue from such licensing arrangements when the film is complete and has been delivered, the license period has begun, the fee is fixed or determinable and collection is reasonably assured. Where the license fees are based on a share of the customer's revenue, and all other revenue recognition criteria are met, the Company recognizes revenue as the customer exhibits the film. Costs of producing film and acquiring film distribution rights are capitalized and amortized using the individual film-forecast-computation method, which amortizes such costs in the same ratio that current period actual revenue bears to estimated remaining unrecognized ultimate revenue as of the beginning of the fiscal year. All advertising, exploitation costs and marketing costs are expensed as incurred. The cumulative effect of the change in accounting principle was recorded as a one time, non-cash after-tax charge of $6.6 million in the consolidated statement of operations for the year ended December 31, 2000.

The Company has developed a proprietary, patent-pending technology to digitally re-master 35mm live-action films into 15/70-format film for exhibition in IMAX theaters. This system, known as IMAX(R) DMR(TM), digitally enhances image resolution quality of 35mm motion picture films for projection on screens up to eight stories high and up to 120 feet wide, while maintaining the visual clarity and sound quality for which IMAX films are known. The Company believes that this technology could open the IMAX theater network up to releases of Hollywood films including both library titles and simultaneous new releases. The Company believes that the development of this new technology is key to helping it execute on its strategy of becoming a new release window for Hollywood films. While the Company is optimistic about the IMAX(R) DMR(TM) technology, there is no guarantee that it will be commercially successful.

INTERNATIONAL OPERATIONS

A significant portion of the Company's sales are made to customers located outside of the United States and Canada. During 2001, 2000 and 1999, 35.2%, 47.2% and 40.6%, respectively, of the Company's revenues were derived outside the United States and Canada. The Company expects that international operations will continue to account for a substantial portion of its revenues in the future. In order to minimize exposure to exchange rate risk, the Company prices theater systems (the largest component of revenues) in U.S. dollars except in Canada and Japan where they are priced in Canadian dollars and Japanese Yen, respectively. Annual minimum rental payments and maintenance fees follow a similar currency policy.

ACCOUNTING POLICIES AND ESTIMATES

The Company reports its results under both United States Generally Accepted Accounting Principles ("U.S. GAAP") and Canadian Generally Accepted Accounting Principles. The financial statements and results referred to herein are reported under U.S. GAAP.

The preparation of these financial statements requires management to make estimates and judgements that affect the reported amounts of assets, liabilities, revenues and expenses. On an ongoing basis, management evaluates its estimates, including those related to accounts receivable, net investment in leases, inventories, fixed and film assets, investments, intangible assets, income taxes, contingencies and litigation. Management bases its estimates on historical experience, future expectations and other assumptions that are believed to be reasonable at the date of the 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. The Company's significant accounting policies are discussed in note 2 of the audited financial statements in Item 8.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (cont'd)

GENERAL (cont'd)

SUBSEQUENT EVENTS

On January 7, 2002 and January 9, 2002, the Company and a wholly owned subsidiary of the Company purchased an additional $19.5 million in the aggregate of the Company's 5.75% Convertible Subordinated Notes due April 1, 2003 (the "Subordinated Notes") for $7.3 million represented by $5.2 million in cash by the subsidiary and common shares by the Company valued at $2.1 million. The Company will record an additional extraordinary pre-tax gain of $12.2 million as a result of this transaction in the first quarter of 2002. These transactions had the effect of reducing the principal of the Company's outstanding Subordinated Notes to $10.1 million.

On January 1, 2002, the Company entered into an agreement with its print supplier, Technicolor Inc. ("Technicolor"), under which the Company receives certain favorable discounts on its, its affiliates' and its customers' film processing costs. Such discounts, which are based on, among other things, footage of work provided to Technicolor by the Company on an annual basis, are to be credited against an upfront payment provided by Technicolor to the Company in February 2002. As collateral, a priority mortgage on the Company's Mississauga facility was registered in favor of Technicolor, which mortgage will be released after a portion of the upfront payment is recouped by Technicolor, or upon the occurrence of certain other conditions. The agreement with Technicolor, which requires the Company to use only Technicolor or Technicolor affiliates for its large-format film processing, expires September 30, 2006.

On February 14, 2002, the Company and Regal Cinemas, Inc. ("Regal") signed an agreement pursuant to which Regal agreed to assume its master system lease agreement with the Company dated June 23, 1997, as modified by the parties, in connection with Regal's bankruptcy proceeding, resulting in Regal's six existing IMAX theaters remaining in operation. As part of the agreement, pursuant to Regal's Motion for Entry of Agreed Order Authorizing Assumption of Executory Contract with IMAX Corporation filed in the United States Bankruptcy Court, Middle District of Tennessee, Regal paid the Company $6.45 million in satisfaction of all of the Company's claims against Regal in its bankruptcy.

RESTRUCTURING COSTS AND OTHER SIGNIFICANT CHARGES

(In thousands of U.S. dollars, except per share amounts)	YEARS ENDED DECEMBER 31,		
	2001	2000	1999
Restructuring costs	$16,292	$ -	$ -
Asset impairments:			
Net investment in leases	13,633	-	-
Fixed assets	26,660	11,152	-
Other assets	3,283	-	-
Other significant charges:			
Accounts receivable	4,469	13,086	949
Inventories	4,053	-	-
Film assets	16,514	8,602	-
Long-term investments	5,584	4,133	-
	$90,488	$36,973	$949

(In thousands of U.S. dollars, except per share amounts)	YEARS ENDED DECEMBER 31,		
	2001	2000	1999
PER SHARE IMPACT-DILUTED:			
Restructuring costs	$0.53	$ -	$ -
Asset impairments:			
Net investment in leases	$0.44	$ -	$ -
Fixed assets	$0.86	$0.37	$ -
Other assets	$0.11	$ -	$ -
Other significant charges:			
Accounts receivable	$0.15	$0.44	$0.03
Inventories	$0.13	$ -	$ -
Film assets	$0.53	$0.29	$ -
Long-term investments	$0.18	$0.14	$ -
	$2.93	$1.24	$0.03

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (cont'd)

RESTRUCTURING COSTS AND OTHER SIGNIFICANT CHARGES (cont'd)

RESTRUCTURING COSTS AND ASSET IMPAIRMENTS

Consistent with the Company's announcement in the first quarter of 2001 to rationalize its operations, reduce staffing levels and write-down certain assets to be disposed of, the Company has recorded a restructuring charge of $16.3 million in 2001 (2000 - $nil, 1999 - $nil). In 2001, the Company also recorded asset impairment charges of $43.6 million (2001 - $11.2 million, 1999 - $nil) after assessing the carrying value of certain of the Company's assets. The 2001 asset impairment charge consisted of $13.6 million (2000 - $nil, 1999 - $nil) against net investment in leases, as collectibility associated with certain leases was considered uncertain, and $26.7 million (2000 - $11.2 million, 1999 - $nil) and $3.3 million (2000 - $nil, 1999 - $nil) of fixed and other assets, respectively, as the carrying values for the assets exceeded the discontinued future cash flows expected from the assets.

The Company believes its restructuring plan and related write-downs were necessary in light of market trends, industry-wide economic and financial conditions, and are consistent with the Company's focus on rationalizing and stabilizing its business and returning to profitability. As of December 31, 2001, the restructuring plan was complete. Of the $16.3 million for restructuring, $11.2 million has been spent as of December 31, 2001, and $5.1 million, representing costs for severed employees to be paid out to employees over the next 36 months.

OTHER SIGNIFICANT CHARGES

Due to industry-wide economic and financial difficulties faced by many of the Company's customers, the Company also recorded the following charges as part of its ongoing review of the carrying value of the Company's assets.

Included in selling, general and administrative expenses, the Company recorded a charge of $4.5 million in 2001 (2000 - $13.1 million, 1999 - $0.9 million) relating to the Company's accounts receivable, as collectibility on certain accounts was considered uncertain.

Within costs of goods and services, the Company recorded a charge of $16.5 million in 2001 (2000 - $8.6 million, 1999 - $nil) based on the reduced fair values of the Company's film assets. In 2001, the Company also recorded a charge of $4.1 million for inventories (2000 - $nil, 1999 - $nil), due to a reduced net realizable value.

Included in selling, general and administrative expenses, the Company recorded a charge of $4.5 million in 2001 (2000 - $13.1 million, 1999 - $1.0 million) relating to the Company's accounts receivable, as collectibility on certain accounts was considered uncertain.

In performing its assessment of the carrying value of long-term investments, the Company recorded $5.6 million in 2001 (2000 - $4.1 million, 1999 - $nil) in charges for declines in the value that are considered to be other than temporary.

IMPACT OF RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In 2001, the FASB issued Statement of Financial Accounting Standard No. 142, "Goodwill and Other Intangible Assets" ("FAS 142"). Under FAS 142, goodwill and intangible assets with indefinite lives are no longer amortized but are reviewed at least annually for impairment. The Company is required to adopt FAS 142 effective January 1, 2002. Application of the non-amortization provisions of FAS 142 for goodwill is expected to result in an increase in operating income of approximately $2.3 million in 2002. At December 31, 2001, the Company had goodwill of approximately $39.0 million. Pursuant to FAS 142, the Company will test its goodwill for impairment under the new methodology upon adoption and, if impairment is indicated, record such impairment as a cumulative effect of changes in accounting principles. The Company is currently evaluating the effect of adopting this pronouncement.

In 2001, the FASB issued Statement of Financial Accounting Standard No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" which supercedes FASB Statement of Financial Accounting Standard No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of", and the accounting and reporting provisions of Accounting Principles Board Opinion No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions" for segments of a business to be disposed of. The pronouncement is effective January 1, 2002, and will be adopted by the Company at that time. The Company is currently evaluating the effect of adopting this pronouncement.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (cont'd)

RESULTS OF OPERATIONS

The following table sets forth the percentage of total revenue for each of the items set forth below:

	YEARS ENDED DECEMBER 31,				
	2001	2000	1999	1998	1997
	%	%	%	%	%
Revenue					
IMAX systems	64.5	65.4	65.8	74.0	61.6
Films	25.2	24.1	24.5	16.2	25.0
Other	10.3	10.5	9.7	9.8	13.4
Total revenue	100.0	100.0	100.0	100.0	100.0
Costs and goods and services	82.1	65.1	50.8	58.7	46.6
Gross margin	17.9	34.9	49.2	41.3	53.4
Selling, general and administrative expenses	41.3	30.8	17.9	20.4	20.3
Research and development	2.8	3.8	1.6	1.4	1.3
Amortization of intangibles	2.5	1.7	1.1	3.1	1.7
Loss (income) from equity-accounted investees	(0.0)	2.8	0.4	3.6	0.0
Restructuring costs and asset impairments	50.4	6.4	-	-	-
Earnings (loss) from operations	(79.1)	(10.6)	28.2	12.8	30.1
Net earnings (loss) before cumulative effect of changes in accounting principles and extraordinary items	(154.9)	(18.4)	13.1	2.0	13.0
Net earnings (loss)	(122.3)	(53.7)	13.1	0.9	13.0

YEAR ENDED DECEMBER 31, 2001 VERSUS YEAR ENDED DECEMBER 31, 2000

REVENUES

The Company's revenues in 2001 were $118.7 million, compared to $173.1 million in 2000, a decrease of 31.5%. The following table sets forth the breakdown of revenue by category:

(In thousands of U.S. dollars)

	YEARS ENDED DECEMBER 31,		
	2001	2000	1999
IMAX SYSTEMS REVENUE			
Sales and leases	$ 53,409	$ 87,384	$103,414
Ongoing rent(1)	8,969	12,097	11,747
Maintenance	14,204	13,745	11,665
	76,582	113,226	126,826
FILMS REVENUE			
Distribution	16,645	21,221	23,224
Post-production	13,278	20,490	24,003
	29,923	41,711	47,227
OTHER REVENUE	12,154	18,179	18,783
	$118,659	$173,116	$192,836

(1) Includes finance income.

Systems revenue decreased to $76.6 million in 2001 from $113.2 million in 2000, a decrease of 32.4%. Revenue from sales and leases decreased to $53.4 million in 2001 from $87.4 million in 2000, a decrease of 38.9%. In 2001, 15 theater systems were installed, of which one was an operating lease, as compared to 24 theater systems installed in 2000. Ongoing rental revenue decreased 25.9% from 2000 primarily due to lower ongoing rents in excess of minimums received in the current year. Maintenance revenue increased 3.3% over the prior year principally due to the increased number of theater systems in the network.

Films revenues decreased to $29.9 million in 2001 from $41.7 million in 2000. Film distribution revenues decreased to $16.6 million in 2001 from $21.2 million in 2000, a decrease of 21.6%, and film post-production activities decreased to $13.3 million in 2001 from $20.5 million in 2000, a decrease of 35.2%. The decrease in film post-production revenues was due to a decline in the number of films in release in 2001 versus 2000, while the decrease in film distribution revenues was primarily due to both a smaller number of films in release and poorer performance of films distributed by the Company in 2001.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (cont'd)

RESULTS OF OPERATIONS (cont')

YEAR ENDED DECEMBER 31, 2001 VERSUS YEAR ENDED DECEMBER 31, 2000 (cont')

Other revenue decreased to $12.2 million in 2001 from $18.2 million in 2000, a decrease of 33.1%, primarily related to decreased owned and operated theater operations revenue in 2001 versus 2000 which included the strong performance of Fantasia 2000.

The Company does not expect the revenue decline to continue in 2002. The Company is expecting higher revenues in 2002 due to a combination of higher system installations, greater commercial appeal of the films the Company produces and distributes, and higher attendance throughout the IMAX theater network including its owned and operated theaters.

GROSS MARGIN

Gross margin in 2001 was $21.3 million versus $60.5 million in 2000. Gross margin in 2001 was reduced by $16.5 million associated with the write-down of the value of certain films in the Company's library as compared to a write-down of $8.6 million in 2000, and a $4.1 million write-down due to the reduced net realizable value of the Company's inventories.

The decline in the gross margin in 2001 over 2000, is primarily due to lower system revenues on 15 theater systems, of which one was an operating lease in 2001 versus 24 theater systems in 2000, and the provisions noted above. Gross margin as a percentage of total revenues was 17.9% in 2001 compared to 34.9% in 2000.

The Company does not expect the gross margin decline to continue in 2002. The Company is expecting higher gross margin in 2002 due to a combination of higher system installations, greater commercial appeal of the films the Company produces and distributes, and higher attendance throughout the IMAX theater network including its owned and operated theaters.

OTHER

Selling, general and administrative expenses were $49.0 million in 2001 versus $53.4 million in 2000. The selling, general and administrative expenses in 2001 include a charge of $4.5 million related to the provision for impairment in accounts receivable from theaters as compared to a charge of $13.1 million in 2000. The 2001 expense also includes a non-cash item of $2.6 million in connection with a stock compensation grant. The Company anticipates that selling, general and administrative expenses will decline in 2002 due to the reductions in staff costs and other expenses that were implemented in 2001.

Interest income decreased to $0.8 million in 2001 from $3.3 million in 2000 due mainly to a decline in the average balance of cash, cash equivalents and investments in marketable debt securities held.

In performing its assessment of the carrying value of long-term investments, the Company recorded a $5.6 million in 2001, as compared to $4.1 million in 2000 for declines in the value of these investments that are considered to be other than temporary.

The Company experienced a foreign exchange loss of $1.4 million in 2001 compared to a loss of $1.8 million in 2000. The foreign exchange losses resulted primarily from fluctuations in exchange rates on Canadian dollar cash balances and Canadian dollar and Japanese Yen denominated net investment in leases.

The effective tax rate on earnings before tax differs from the statutory tax rate and will vary from year to year primarily as a result of the amortization of goodwill, which is not deductible for tax purposes, the Canadian manufacturing and processing profits deduction, the provision for income taxes at different rates in foreign and other provincial jurisdictions, enacted statutory tax rate reductions in the year, and movements in the Company's valuation allowance. The 2001 deferred income tax expense includes a $41.2 million increase in the valuation allowance to reflect uncertainties associated with the realization of the Company's deferred income tax asset. As of December 31, 2001, the Company has a deferred income tax asset of $45.5 million which has been fully provided against through the Company's valuation allowance.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (cont'd)

RESULTS OF OPERATIONS (cont'd)

YEAR ENDED DECEMBER 31, 2001 VERSUS YEAR ENDED DECEMBER 31, 2000 (cont'd)

RESEARCH AND DEVELOPMENT

Research and development expenses were $3.4 million in 2001 versus $6.5 million in 2000. The lower level of expenses in 2001 reflects the reduction of general research and development activities due to significant staff reductions and management's decision to focus on projects with a high potential of success and minimal capital outlay. The Company believes that the motion picture industry will be affected by the development of digital technologies, particularly in the areas of content creation (image capture), post-production (editing and special effects), digital re-mastering distribution and display. Consequently, the Company has made significant investments in digital technologies, including the development of a proprietary, patent-pending technology to digitally enhance image resolution and quality of 35mm motion picture films and has a number of patents pending and intellectual property rights in these areas.

DISCONTINUED OPERATIONS

The Company's 2001 discontinuance of its digital projection systems operations was completed December 11, 2001 through the sale of its wholly owned subsidiary, Digital Projection International, including its subsidiaries (collectively "DPI"), to a company owned by members of DPI management. As part of the transaction, the Company restructured its advances to DPI, releasing DPI from obligations to repay any amounts in excess of $12.7 million previously advanced by the Company, and reorganized the remaining $12.7 million of debt owing to the Company into two separate loan agreements. The loans receivable are collateralized by fixed and floating charges over all DPI assets including intellectual properties. One of the loans is convertible, upon the occurrence of certain events into shares representing 49% of the total share capital of DPI. DPI also agreed to release the Company from its ongoing obligations to DPI.

The Company recorded an after-tax charge of $50.9 million in 2001, relating to operational losses of $8.5 million and a loss of $42.3 million on disposal of DPI's net assets. Included in the loss on disposal is a provision of $12.7 million to reflect the uncertainty associated with the collectibility of the loans receivable. In 2000, the Company recorded digital projection systems operating losses of $2.1 million. The Company has restated the financial statements to segregate the discontinued operations for all comparative years presented.

EXTRAORDINARY GAIN

During 2001, the Company and a wholly owned subsidiary of the Company purchased an aggregate of $70.4 million of the Company's $100.0 million aggregate principal amount of Subordinated Notes for $13.7 million, consisting of $12.5 million in cash by the subsidiary and common shares by the Company valued at $1.2 million. The Company cancelled the purchased Subordinated Notes and recorded an extraordinary gain of $38.7 million, net of income tax expense of $16.8 million.

Subsequent to year-end, the Company and a wholly owned subsidiary purchased an additional $19.5 million in the aggregate of the Company's Subordinated Notes for $7.3 million, consisting of $5.2 million in cash by the subsidiary and common shares by the Company valued at $2.1 million. The Company cancelled the purchased Subordinated Notes, and will record an additional extraordinary pre-tax gain of $12.2 million as a result of this transaction in the first quarter of 2002. These transactions had the effect of reducing the principal of the Company's outstanding Subordinated Notes to $10.1 million.

YEAR ENDED DECEMBER 31, 2000 VERSUS YEAR ENDED DECEMBER 31, 1999

In 2000, the Company had revenues of $173.1 million and net loss, before the cumulative effect of changes in accounting principles and extraordinary items of $31.8 million ($1.07 per share on a diluted basis) compared to revenues of $192.8 million and net earnings before the cumulative effect of changes in accounting principles and extraordinary items of $25.2 million ($0.83 per share on a diluted basis) in 1999. The decrease in revenues of 10.2% is due primarily to a decline in systems revenue.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (cont'd)

RESULTS OF OPERATIONS (cont'd)

YEAR ENDED DECEMBER 31, 2000 VERSUS YEAR ENDED DECEMBER 31, 1999 (cont'd)

REVENUES

Systems revenue decreased to $113.2 million in 2000 from $126.8 million in 1999, a decrease of 10.7%. Revenue from sales and leases decreased to $87.4 million in 2000 from $103.4 million in 1999, a decrease of 15.5%. The Company installed 24 theater systems under sales and sales-type leases in 2000 as compared to 35 theater system deliveries in 1999. Ongoing rental and maintenance revenues increased 3.0% and 17.8%, respectively, over the prior year principally due to the increased number of theater systems in the network.

Films revenues decreased to $41.7 million in 2000 from $47.2 million in 1999, a decrease of 11.7%. Film distribution revenues decreased to $21.2 million in 2000 from $23.2 million in 1999, a decrease of 8.6% due to the timing of the release of films. Film post-production activities decreased to $20.5 million in 2000 from $24.0 million in 1999, a decrease of 14.6%, primarily due to a decrease in the number of prints released, post-production activities and extensions of products and services.

Other revenues decreased slightly to $18.2 million in 2000 from $18.8 million in 1999, a decrease of 3.2%.

GROSS MARGIN

Gross margin in 2000 was $60.5 million versus $94.9 million in 1999. In 2000, the gross margin was reduced by $8.6 million with the write-down of the value of certain films in the Company's library.

The decline in the gross margin in 2000 over 1999, exclusive of these write-downs, is due mainly to the decline in system installations to 24 in 2000 from 35 deliveries in 1999.

Gross margin as a percentage of total revenues was 34.9% in 2000 compared to 49.2% in 1999. The write-downs described above reduced the gross margin in 2000 by 5.0%. The decline in the gross margin in 2000 over 1999, exclusive of these write-downs, is due to the higher proportion of film and other revenues which generally have lower margins than IMAX systems revenue.

OTHER

Selling, general and administrative expenses were $53.4 million in 2000 versus $34.5 million in 1999. The increase in selling, general and administrative costs in 2000 over 1999 resulted primarily from a $13.1 million charge in 2000 principally related to provisions against uncollectible accounts receivable amounts.

Interest income decreased to $3.3 million in 2000 from $10.0 million in 1999 due to lower average cash, cash equivalents and investments in marketable debt securities balances held.

The Company experienced a foreign exchange loss of $1.8 million in 2000 compared to a gain of $1.0 million in 1999. The foreign exchange loss in 2000 resulted primarily from fluctuations in exchange rates on Canadian dollar cash balances and Canadian dollar and Japanese Yen denominated net investment in leases. The gain in 1999 resulted primarily from fluctuations in exchange rates on the Japanese Yen denominated net investment in leases.

RESEARCH AND DEVELOPMENT

Research and development expenses were $6.5 million in 2000 versus $3.1 million in 1999. The increase is due mainly to increased internal activities in developing digital technologies.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (cont'd)

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2001, the Company's principal source of liquidity included cash and cash equivalents of $26.4 million, trade accounts receivable of $18.3 million and net investment in leases due within one year of $4.7 million.

On September 26, 2001, the Company's demand facility with Toronto Dominion Bank Financial Group matured. At the time of maturity, the Company had no cash advances outstanding under the facility, which had been used in the past to facilitate U.S. and Canadian letters of credit and cross currency swaps. This line was secured by the Company's accounts receivable, inventory, certain real estate and other assets of the Company. As of December 31, 2001, the Company has letters of credit of $5.9 million outstanding, which have been collateralized by cash deposits. The Company expects these commitments to be reduced to approximately $3.0 million by April 2002. The Company is currently in discussion with other financial institutions to replace this facility with a similar facility utilizing its net investment in leases, accounts receivable and inventory as collateral. There is no guarantee that the Company will be successful in these efforts.

In December 1998, the Company issued $200 million of Senior Notes (the "Senior Notes") due December 1, 2005. The Senior Notes bear interest at 7.875% per annum and are subject to redemption by the Company, in whole or in part, at any time on or after December 1, 2002, at redemption prices expressed as percentages of the principal amount for each 12-month period commencing December 1 of the years indicated: 2002 - 103.938%, 2003 - 101.969%, 2004 and thereafter - - 100.000% together with interest accrued thereon to the redemption date. The Company may also redeem the Senior Notes, in whole or in part, at any time prior to December 1, 2002, at a redemption price equal to 100% of the principal amount plus a "make-whole premium" calculated in reference to the redemption price on the first date that the Senior Notes may be redeemed by the Company plus accrued interest to but excluding the redemption date. If certain changes result in the imposition of withholding taxes under Canadian law, the Senior Notes are subject to redemption at the option of the Company, in whole but not in part, at a redemption price of 100% of the principal amount thereof plus accrued interest to the date of redemption. In the event of a change in control, holders of the Senior Notes may require the Company to repurchase all or part of the Senior Notes at a price equal to 101% of the principal amount thereof plus accrued interest to the date of repurchase.

In April 1996, the Company completed a private placement of $100.0 million of 5.75% Convertible Subordinated Notes (the "Subordinated Notes") due April 1, 2003. These Subordinated Notes are convertible into common shares of the Company at the option of the holder at a conversion price of $21.406 per share (equivalent to a conversion rate of 46.7154 shares per $1,000 principal amount of Subordinated Notes) at any time prior to maturity. The Subordinated Notes are redeemable at the option of the Company on or after April 1, 1999 at redemption prices expressed as percentages of the principal amount (2002 - 100.821%) plus accrued interest. The Subordinated Notes may be redeemed at any time on or after April 1, 2001 without limitation. During 2001, the Company and a wholly owned subsidiary of the Company purchased an aggregate of $70.4 million of the Company's Subordinated Notes for $13.7 million consisting of $12.5 million in cash by the subsidiary and common shares by the Company valued at $1.2 million. The Company cancelled the purchased Subordinated Notes and recorded an extraordinary gain of $38.7 million, net of income tax expense of $16.8 million. Subsequent to December 31, 2001, the Company and the subsidiary of the Company purchased an additional $19.5 million in the aggregate of the Company's Subordinated Notes for $7.3 million consisting of $5.2 million in cash by the subsidiary and common shares by the Company valued at $2.1 million. These transactions had the effect of reducing the principal amount of the Company's Subordinated outstanding Notes to $10.1 million.

The Company's net cash provided by operating activities is significantly impacted by, among other things, the number of theater system contracts signed during the year as well as the number of system installations completed during the year. Under the terms of the Company's typical theater system lease agreement, the Company receives substantial cash payments before it completes the performance of its obligations. The Company depends on cash flow from these sources to finance its ongoing operations.

Cash provided by operating activities amounted to $2.7 million for the year ended December 31, 2001 after the payment of $21.9 million of interest and other working capital requirements. Changes in other non-cash operating assets and liabilities include $8.3 million that was invested in film assets, a decrease of $1.3 million in accounts receivable and a decrease of $5.7 million in net investment in leases in 2001. Cash provided by investing activities in 2001 amounted to $5.7 million. Of this amount, $7.5 million was received from the sale of investments in marketable debt securities, and $1.1 million was invested in fixed assets. Cash used in financing activities amounted to $12.5 million related to the repurchase by subsidiary, of a portion of the Company's Subordinated Notes.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (cont'd)

LIQUIDITY AND CAPITAL RESOURCES (cont'd)

Cash used in operating activities amounted to $54.1 million for the year ended December 31, 2000 after the payment of $21.5 million of interest, $33.6 million of income taxes and working capital requirements. Changes in other non-cash operating assets and liabilities include $19.7 million that was invested in film assets, an increase of $0.1 million in accounts receivable, an increase of $9.3 million in net investment in leases in 2000 and a decrease of $42.6 million in current taxes payable due to tax payments in connection with the reorganization of the Company's lines of business in 1999. Cash provided by investing activities in 2000 amounted to $45.3 million. Of this amount, $81.5 million was received from the sale of investments in marketable debt securities, $27.6 million was invested in fixed assets, principally for owned and operated theaters and theater systems contributed to joint ventured theaters, and facilities, and $6.2 million was invested in other assets including patents, trademarks and software. Cash provided by financing activities amounted to $2.5 million, which included proceeds of $1.4 million from the issuance of common shares pursuant to the Company's stock option plan.

The Company believes that cash flow from operations together with existing cash will be sufficient to meet cash requirements for the foreseeable future. In addition, the Company believes it has access to other sources of liquidity including accessing the capital markets, or securing an operating line facility with a financial institution. The Company's accounts receivable, inventory, certain fixed assets and net investment in leases are currently unsecured and available as collateral. However, there can be no assurance that the Company will be successful in securing additional financing.

ITEM 7a. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

A substantial portion of the Company's revenues are denominated in U.S. dollars while a substantial portion of its costs and expenses are denominated in Canadian dollars. A portion of the net U.S. dollar flows of the Company are converted to Canadian dollars to fund Canadian dollar expenses, either through the spot market or through forward contracts. Existing foreign exchange contracts expired on October 16, 2001 and the Company recorded a loss of $0.1 million. The Company plans to convert Canadian dollar expenses to U.S. dollars through the spot and forward markets on a go-forward basis. In Japan, the Company has ongoing operating expenses related to its operations. Net Japanese Yen flows are converted to U.S. dollars generally through forward contracts to minimize currency exposure. The Company also has cash receipts under leases denominated in Japanese Yen and French francs which were converted to U.S. dollars generally through forward contracts to minimize currency exposure. These contracts were sold on August 9, 2001 for proceeds of $0.7 million. The Company plans to convert Japanese Yen and French franc lease cash flows to U.S. dollars through the spot and forward markets on a go-forward basis.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

REPORT OF INDEPENDENT ACCOUNTANTS TO THE SHAREHOLDERS OF IMAX CORPORATION

We have audited the accompanying consolidated balance sheets of IMAX Corporation (the "Company") as at December 31, 2001 and 2000 and the related consolidated statements of operations, cash flows and shareholders' equity (deficit) for each year in the three-year period ended December 31, 2001. These financial statements and the financial statement schedule listed in the index appearing under Item 14(a)(2) of this Form 10-K are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and the financial statement schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as at December 31, 2001 and 2000 and the results of its operations and cash flows for each year in the three-year period ended December 31, 2001 in accordance with accounting principles generally accepted in the United States.

As described in note 24 to the consolidated financial statements, the Company changed its accounting policies for revenue recognition and film assets effective January 1, 2000.

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

/s/ PricewaterhouseCoopers LLP

Chartered Accountants
Toronto, Canada
February 25, 2002

IMAX CORPORATION

CONSOLIDATED BALANCE SHEETS

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

	AS AT DECEMBER 31, 2001	AS AT DECEMBER 31, 2000
ASSETS		
Cash and cash equivalents (note 12)	$ 26,388	$ 26,781
Investments in marketable debt securities	--	7,529
Accounts receivable, net of allowance for doubtful accounts of $18,060 (2000 - $19,168)	18,296	23,621
Net investment in leases (note 4)	51,644	77,093
Inventories (note 5)	42,723	51,017
Income taxes recoverable	--	8,830
Prepaid expenses	1,845	3,650
Film assets (note 6)	10,513	29,749
Fixed assets (note 7)	52,652	87,056
Other assets (note 8)	15,402	29,640
Deferred income taxes (note 9)	3,022	44,433
Goodwill, net of accumulated amortization of $15,807 (2000 - $13,497)	39,027	40,810
Assets of discontinued operations (note 3)	--	61,891
Total assets	$ 261,512	$ 492,100
LIABILITIES		
Accounts payable	$ 6,735	$ 11,741
Accrued liabilities (note 20)	45,041	33,891
Deferred revenue	95,082	106,427
Income taxes payable	1,356	--
Senior notes due 2005 (note 10)	200,000	200,000
Convertible subordinated notes due 2003 (note 11)	29,643	100,000
Liabilities of discontinued operations (note 3)	2,103	17,778
Total liabilities	379,960	469,837
COMMITMENTS AND CONTINGENCIES (notes 12 and 13)		
SHAREHOLDERS' EQUITY (DEFICIT)		
Capital stock (note 14) - no par value. Authorized - unlimited number Issued and outstanding - 31,899,114 (2000 - 30,051,514)	64,356	60,136
Deficit	(183,392)	(38,278)
Accumulated other comprehensive income	588	405
Total shareholders' equity (deficit)	(118,448)	22,263
Total liabilities and shareholders' equity (deficit)	$ 261,512	$ 492,100

(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,		
	2001	2000	1999
REVENUE			
IMAX systems	$ 76,582	$ 113,226	$ 126,826
Films	29,923	41,711	47,227
Other	12,154	18,179	18,783
	118,659	173,116	192,836
COSTS OF GOODS AND SERVICES (note 15)	97,391	112,655	97,973
GROSS MARGIN	21,268	60,461	94,863
Selling, general and administrative expenses (note 15)	48,962	53,384	34,450
Research and development	3,385	6,497	3,136
Amortization of intangibles	3,005	2,948	2,159
Loss (income) from equity-accounted investees	(73)	4,811	683
Restructuring costs and asset impairments (note 16)	59,868	11,152	--
EARNINGS (LOSS) FROM OPERATIONS	(93,879)	(18,331)	54,435
Interest income	847	3,285	9,977
Interest expense, net of interest capitalized of $511 (2000 - $1,393, 1999 - $754)	(22,020)	(21,961)	(21,860)
Impairment of long-term investments (note 15)	(5,584)	(4,133)	--
Foreign exchange gain (loss)	(1,357)	(1,781)	977
EARNINGS (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND MINORITY INTEREST	(121,993)	(42,921)	43,529
Recovery of (provision for) income taxes (note 9)	(11,005)	13,139	(16,642)
EARNINGS (LOSS) FROM CONTINUING OPERATIONS BEFORE MINORITY INTEREST	(132,998)	(29,782)	26,887
Minority interest	--	--	(1,207)
NET EARNINGS (LOSS) FROM CONTINUING OPERATIONS	(132,998)	(29,782)	25,680
Net loss from discontinued operations (note 3)	(50,850)	(2,055)	(447)
NET EARNINGS (LOSS) BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES AND EXTRAORDINARY ITEMS	(183,848)	(31,837)	25,233
Cumulative effect of changes in accounting principles, net of income tax benefit of $37,286 (note 24)	--	(61,110)	--
Extraordinary gain on repurchase of convertible subordinated notes, net of income tax expense of $16,843 (note 11)	38,734	--	--
NET EARNINGS (LOSS)	$(145,114)	$ (92,947)	$ 25,233
EARNINGS (LOSS) PER SHARE (note 14):			
Earnings (loss) per share - basic:			
Net earnings (loss) from continuing operations	$ (4.30)	$ (1.00)	$ 0.86
Net loss from discontinued operations	$ (1.64)	$ (0.07)	$ (0.01)
Net earnings (loss) before cumulative effect of changes in accounting principles and extraordinary items	$ (5.94)	$ (1.07)	$ 0.85
Cumulative effect of changes in accounting principles	$ --	$ (2.04)	$ --
Extraordinary items	$ 1.25	$ --	$ --
Net earnings (loss)	$ (4.69)	$ (3.11)	$ 0.85
Earnings (loss) per share - diluted:			
Net earnings (loss) from continuing operations	$ (4.30)	$ (1.00)	$ 0.84
Net loss from discontinued operations	$ (1.64)	$ (0.07)	$ (0.01)
Net earnings (loss) before cumulative effect of changes in accounting principles and extraordinary items	$ (5.94)	$ (1.07)	$ 0.83
Cumulative effect of changes in accounting principles	$ --	$ (2.04)	$ --
Extraordinary items	$ 1.25	$ --	$ --
Net earnings (loss)	$ (4.69)	$ (3.11)	$ 0.83

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

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

	YEARS ENDED DECEMBER 31,		
	2001	2000	1999
CASH PROVIDED BY (USED IN):			
OPERATING ACTIVITIES			
Net earnings (loss) from continuing operations	$(132,998)	$ (29,782)	$ 25,680
Items not involving cash:			
Depreciation, amortization and write-downs (note 17)	99,801	61,626	25,228
Loss (income) from equity-accounted investees	(73)	4,811	683
Deferred income taxes	24,568	(5,201)	(24,142)
Impairment of long-term investments	5,584	4,133	--
Stock and other non-cash compensation	5,182	1,242	--
Minority interest and other	--	--	1,217
Investment in film assets	(8,297)	(19,665)	(18,051)
Changes in other non-cash operating assets and liabilities (note 17)	14,520	(73,929)	(15,398)
Net cash provided by (used in) operating activities from discontinued operations	(5,607)	2,676	2,194
Net cash provided by (used in) operating activities	2,680	(54,089)	(2,589)
INVESTING ACTIVITIES			
Net sale (purchase) of investments in marketable debt securities	7,529	81,503	(29,639)
Acquisition of Digital Projection International, net of cash acquired	--	(900)	(25,724)
Acquisition of minority interest in Sonics Associates, Inc.	(1,041)	(295)	(12,740)
Purchase of fixed assets	(1,091)	(27,643)	(22,465)
Decrease (increase) in other assets	498	(6,190)	(17,402)
Net cash used in investing activities from discontinued operations	(217)	(1,139)	(243)
Net cash provided by (used in) investing activities	5,678	45,336	(108,213)
FINANCING ACTIVITIES			
Repurchase of convertible subordinated notes	(12,540)	--	--
Common shares issued	31	1,442	2,235
Paid-in-capital on stock options exercised	--	1,034	--
Class C preferred shares dividends paid	--	--	(365)
Net cash provided by (used in) financing activities	(12,509)	2,476	1,870
Effects of exchange rate changes on cash from continuing operations	(2,066)	2,125	(213)
Effects of exchange rate changes on cash from discontinued operations	1,697	487	152
Effects of exchange rate changes on cash	(369)	2,612	(61)
DECREASE IN CASH AND CASH EQUIVALENTS FROM CONTINUING OPERATIONS	(393)	(5,689)	(111,096)
Decrease (increase) in cash and cash equivalents from discontinued operations	(4,127)	2,024	2,103
DECREASE IN CASH AND CASH EQUIVALENTS, DURING THE YEAR	(4,520)	(3,665)	(108,993)
Cash and cash equivalents, beginning of year	30,908	34,573	143,566
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 26,388	$ 30,908	$ 34,573

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

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

	NUMBER OF COMMON SHARES ISSUED AND OUTSTANDING	CAPITAL STOCK	RETAINED EARNINGS (DEFICIT)	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)(1)	SHAREHOLDERS' EQUITY (DEFICIT)	TOTAL COMPREHENSIVE INCOME (LOSS)
BALANCE AT DECEMBER 31, 1998	29,478,384	$ 55,236	$ 29,436	$ (226)	$ 84,446	$ --
Issuance of common stock	279,504	2,235	--	--	2,235	--
Net earnings	--	--	25,233	--	25,233	25,233
Net adjustment on available-for-sale securities............................	--	--	--	(867)	(867)	(867)
Foreign currency translation adjustments	--	--	--	18	18	18
						$ 24,384
BALANCE AT DECEMBER 31, 1999	29,757,888	57,471	54,669	(1,075)	111,065	$ --
Issuance of common stock	293,626	1,631	--	--	1,631	--
Adjustment in paid-in-capital for stock options exercised	--	1,034	--	--	1,034	--
Net loss	--	--	(92,947)	--	(92,947)	(92,947)
Net adjustment on available-for-sale securities	--	--	--	586	586	586
Foreign currency translation adjustments	--	--	--	894	894	894
						$ (91,467)
BALANCE AT DECEMBER 31, 2000	30,051,514	60,136	(38,278)	405	22,263	$ --
Issuance of common stock	1,847,600	4,220	--	--	4,220	--
Net loss	--	--	(145,114)	--	(145,114)	(145,114)
Net adjustment on available-for-sale securities............................	--	--	--	281	281	281
Foreign currency translation adjustments	--	--	--	(98)	(98)	(98)
BALANCE AT DECEMBER 31, 2001	31,899,114	$ 64,356	$ (183,392)	$ 588	$ (118,448)	$ (144,931)

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

	AS AT DECEMBER 31, 2001	2000	1999
Foreign currency translation adjustments	$ 588	$ 686	$ (208)
Unrealized loss on available-for-sale security....	--	(281)	(867)
Accumulated other comprehensive income (loss)	$ 588	$ 405	$(1,075)

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

1. DESCRIPTION OF THE BUSINESS

IMAX Corporation together with its wholly owned subsidiaries (the "Company") provides a wide range of products and services to the network of IMAX theaters. The principal activities of the Company are:

- the design, manufacture and marketing and leasing of proprietary projection and sound systems for IMAX theaters principally owned and operated by institutional and commercial customers located in 30 countries as of December 31, 2001;

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The preparation of the financial statements in conformity with United States Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could be materially different from these estimates. Significant estimates made by management include allowances for potential uncollectability of accounts and loans receivable and net investment in leases, provisions for inventory obsolescence, ultimate revenues for film assets, estimates of future cash flows associated with long-lived assets, accruals for contingencies and valuation allowances for deferred income tax assets. Significant accounting policies are summarized as follows:

(a) BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company together with its wholly owned subsidiaries.

(b) CASH AND CASH EQUIVALENTS

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

(c) INVENTORIES

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) FILM ASSETS

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

Film exploitation costs, including advertising costs, are expensed as incurred. Costs of film prints are capitalized and expensed over a period of three months.

The recoverability of film costs is dependent upon commercial acceptance of the films. If events or circumstances indicate that the fair value of a film is less than the unamortized film costs, the film is written down to fair value by a charge to consolidated net earnings (loss). The Company determines the fair value of its films using a discounted cash flow model.

(e) FIXED ASSETS

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

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

Management reviews the carrying values of its fixed assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset might not be recoverable. In performing its review for recoverability, management estimates the future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected future cash flows is less than the carrying amount of the asset, an impairment loss is recognized. Measurement of impairment losses is based on the excess of the carrying amount of the asset over the fair value calculated using discounted expected future cash flows.

(f) OTHER ASSETS

Other assets include patents, trademarks and other intangibles, investments, defined benefit pension plan intangibles and deferred charges on debt financing.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) GOODWILL

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

(h) DEFERRED REVENUE

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

(i) 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 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 is recognized in earnings in the period in which the change occurs. Valuation allowances are recorded where there is uncertainty of realization of a deferred income tax asset. Investment tax credits are recognized as a reduction of income tax expense in the year the credit is earned.

(j) REVENUE RECOGNITION

SALES-TYPE LEASES OF THEATER SYSTEMS

Theater system leases that transfer substantially all of the benefits and risks of ownership to customers are classified as sales-type leases as a result of meeting the criteria established by FASB Statement of Financial Accounting Standards No. 13, "Accounting for Leases" ("FAS 13"). When revenue is recognized, the initial rental fees due under the contract, along with the present value of minimum ongoing rental payments are recorded as revenues for the period, and the related projector costs including installation expenses are recorded in cost of goods and services. Additional ongoing rentals in excess of minimums are recognized as revenue when reported by the theater operator, provided that collection is reasonably assured.

From time to time, if the Company and a lessee agree to change the terms of the lease, other than renewing the lease or extending its terms, management evaluates whether the new agreement would be classified as sales-type lease or an operating lease under the provisions of FAS 13. Any adjustments which result from a change in classification from a sales-type lease to an operating lease are reported in income during the period the change occurs.

Revenue associated with a sales-type lease is recognized when all of the following criteria are met: persuasive evidence of an agreement exists; the price is fixed or determinable; collection is reasonably assured; and, as described in note 24, effective January 1, 2000, installation of the theater system is complete. Prior to January 1, 2000, the Company recognized revenue on the same basis, except that the time of delivery was used rather than completion of installation.

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

OPERATING LEASES OF THEATER SYSTEMS

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) REVENUE RECOGNITION (cont'd)

SALES OF THEATER SYSTEMS

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

MAINTENANCE AND OTHER SERVICES

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

FILM PRODUCTION AND DISTRIBUTION

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

(k) RESEARCH AND DEVELOPMENT

Research and development expenditures are expensed as incurred.

(l) FOREIGN CURRENCY TRANSLATION

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

(m) STOCK-BASED COMPENSATION

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

(n) PENSION PLANS

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

For defined contribution pension plans, amounts contributed by the Company are recorded as an expense.

(Tabular amounts in thousands of U.S. dollars, unless otherwise stated)

3. DISCONTINUED OPERATIONS

Effective December 11, 2001, the Company completed the sale of its wholly owned subsidiary, Digital Projection International, including its subsidiaries (collectively "DPI"), to a company owned by members of DPI management. As part of the transaction, the Company restructured its advances to DPI, releasing DPI from obligations to repay amounts in excess of $12.7 million previously advanced by the Company, and reorganized the remaining debt owing to the Company into two separate loan agreements, a $2.7 million, three-year term loan, and a $10.0 million, seven-year convertible term loan. DPI also agreed to release the Company from its ongoing obligations to DPI.

The loans receivable are collateralized by fixed and floating charges over all DPI assets including intellectual properties. The $2.7 million, three-year loan, is repayable in quarterly increments and bears interest at 10% per annum. The $10.0 million, seven-year loan bears interest at 10% per annum and is repayable in its entirety at maturity or convertible, upon the occurrence of certain events, into shares representing 49% of the total share capital of DPI.

The Company has recorded an allowance of $12.7 million to reflect uncertainty associated with the collectibility of the loans receivable.

The Company has retained the rights and technology to develop high-end digital cinema, including the use of Texas Instruments Inc.'s DLP Cinema(TM) technology for large-format and other high-end uses as well as key patents and intellectual property related to the conversion of film to digital images.

In accordance with Accounting Principles Board Opinion No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions" ("APB 30"), the Company has restated the financial statements to segregate the discontinued operations for all comparative years presented.

The assets and liabilities of discontinued operations, summarized in the Consolidated Balance Sheets, at December 31, comprise of the following:

	2001	2000
ASSETS		
Cash and cash equivalents	$ --	$ 4,127
Accounts receivable, net of allowance for doubtful accounts of $nil (2000 - $606)	--	11,214
Inventories	--	18,893
Fixed assets	--	2,823
Other assets	--	3,219
Deferred income tax assets	--	1,912
Goodwill, net of accumulated amortization of $nil (2000 - $1,321)	--	19,703
Total assets of discontinued operations	$ --	$61,891
LIABILITIES		
Accounts payable	$ --	$11,509
Accrued liabilities	2,103	6,269
Total liabilities of discontinued operations	$ 2,103	17,778

(Tabular amounts in thousands of U.S. dollars, unless otherwise stated)

3. DISCONTINUED OPERATIONS (cont'd)

The net loss from discontinued operations, summarized in the Consolidated Statements of Operations, for the years ended December 31, comprise of the following:

	2001	2000	1999
Revenue	$ 21,965	$46,356	$10,999
Net loss from discontinued operations(1)	$ (8,508)	$(2,055)	$ (447)
Net loss on disposal of discontinued operations(2)	(42,342)	--	--
Net loss from discontinued operations	$(50,850)	$(2,055)	$ (447)

(1) Net of income tax recovery of $2,422 in 2001 (2000 - $99, 1999 - $107).
(2) Net of income tax recovery of $nil in 2001; includes $12.7 million in allowances for uncollectibility of loans receivable. Any recoveries on these loans will be included in the results from discontinued operations as cash is received.

4. LEASES

(a) NET INVESTMENT IN LEASES

The Company enters into sales-type leases, for which the customer makes initial rental payments and additional rental payments with contracted minimums, which are generally indexed with inflation. The Company's net investment in sales-type leases, at December 31, comprise of the following:

	2001	2000
Gross minimum lease amounts receivable	$ 105,379	$ 174,124
Accumulated allowance for uncollectible amounts	(11,745)	(6,813)
Gross minimum lease amounts receivable, net of allowance	93,634	167,311
Residual value of equipment	898	2,223
Unearned finance income	(42,888)	(92,441)
Present value of net minimum lease amounts receivable	$ 51,644	$ 77,093

(Tabular amounts in thousands of U.S. dollars, unless otherwise stated)

4. LEASES (cont'd)

(b) RENTAL AMOUNTS

Revenue includes annual rental amounts, for the years ended December 31, comprise of the following:

	2001	2000	1999
Ongoing minimum rental amounts on operating leases	$ 562	$ 879	$ 875
Additional rentals in excess of minimum amounts, on operating and sales-type leases	3,255	4,611	5,644
Finance income on sales-type leases	5,152	6,607	5,228
	$ 8,969	$ 12,097	$ 11,747

The estimated amount of gross minimum rental amounts receivable from operating and sales-type leases at December 31, 2001, for each of the next five years is as follows:

2002	$ 10,012
2003	9,932
2004	10,046
2005	8,887
2006	8,067
Thereafter	62,749
	$ 109,693

5. INVENTORIES

	AT DECEMBER 31,	
	2001	2000
Raw materials	$ 6,559	$ 8,629
Work-in-process	11,537	11,963
Finished goods	24,627	30,425
	$ 42,723	$ 51,017

6. FILM ASSETS

	AT DECEMBER 31,	
	2001	2000
Completed and released films, net of accumulated amortization	$ 1,682	$ 12,884
Films in production	8,597	15,413
Development costs	234	1,452
	$ 10,513	$ 29,749

Included in costs of goods and services for 2001 are charges of $16.5 million (2000 - $8.6 million, 1999 - $nil) to reflect write-downs of unamortized film costs.

All unamortized film costs for released films are expected to be amortized within three years from December 31, 2001. The amount of accrued participation liabilities that the Company expects to pay during 2002 is $2.7 million.

Film assets include $0.5 million of interest capitalized in 2001 (2000 - $0.8 million, 1999 - $0.2 million).

(Tabular amounts in thousands of U.S. dollars, unless otherwise stated)

7. FIXED ASSETS

	AT DECEMBER 31, 2001		
	COST	ACCUMULATED DEPRECIATION	NET BOOK VALUE
Equipment leased or held for use			
Projection equipment	$ 40,497	$ 18,099	$ 22,398
Camera equipment	9,442	7,239	2,203
	49,939	25,338	24,601
Assets under construction	1,452	--	1,452
Other fixed assets			
Land	1,949	--	1,949
Buildings	16,192	5,052	11,140
Office and production equipment	22,404	16,875	5,529
Leasehold improvements	8,893	912	7,981
	49,438	22,839	26,599
	$ 100,829	$ 48,177	$ 52,652

\

	AT DECEMBER 31, 2000		
	COST	ACCUMULATED DEPRECIATION	NET BOOK VALUE
Equipment leased or held for use			
Projection equipment	$ 44,375	$ 12,547	$ 31,828
Camera equipment	10,447	7,388	3,059
	54,822	19,935	34,887
Assets under construction	3,936	--	3,936
Other fixed assets			
Land	1,949	--	1,949
Buildings	16,653	3,571	13,082
Office and production equipment	29,588	19,173	10,415
Leasehold improvements	30,712	7,925	22,787
	78,902	30,669	48,233
	$ 137,660	$ 50,604	$ 87,056

Interest capitalized in 2001 to fixed assets amounted to $nil (2000 - $0.6 million, 1999 - $0.6 million).

(Tabular amounts in thousands of U.S. dollars, unless otherwise stated)

8. OTHER ASSETS

	AT DECEMBER 31, 2001	2000
Patents, trademarks and other intangibles	$ 4,107	$ 3,886
Investments in equity-accounted investees	314	1,462
Other investments	--	7,679
Deferred charges on debt financing	3,092	4,717
Pension asset, representing unrecognized prior service costs	6,647	8,489
Other assets	1,242	3,407
	$15,402	$29,640

9. INCOME TAXES

(a) Earnings (loss) from continuing operations before income taxes and minority interest by tax jurisdiction, for the years ended December 31, comprise of the following:

	2001	2000	1999
Canada	$ (91,414)	$ (31,884)	$ 36,774
United States	(29,368)	(8,008)	6,693
Japan	291	338	498
Other	(1,502)	(3,367)	(436)
	$(121,993)	$ (42,921)	$ 43,529

(b) The recovery of (provision for) income taxes related to income before the cumulative effect of changes in accounting principles and extraordinary items, for the year ended December 31, comprise of the following:

	2001	2000	1999
Current:			
Canada	$ 13,598	$ 8,167	$(38,719)
Foreign	(35)	(229)	(2,065)
	13,563	7,938	(40,784)
Deferred:			
Canada	(16,111)	1,915	24,874
Foreign	(8,457)	3,286	(732)
	(24,568)	5,201	24,142
	$(11,005)	$ 13,139	$(16,642)

(Tabular amounts in thousands of U.S. dollars, unless otherwise stated)

9. INCOME TAXES (cont'd)

(c) The recovery of (provision for) income taxes before the cumulative effect of changes in accounting principles and extraordinary items differs from the amount that would have resulted by applying the combined Canadian federal and provincial statutory income tax rates to earnings, for the years ended December 31, comprise of the following:

	2001	2000	1999
Income tax recovery (provision) at combined statutory rates	$ 50,773	$ 18,863	$(18,980)
Increase (decrease) resulting from:			
Non-deductible expenses, including amortization of goodwill	(3,434)	(3,113)	(1,925)
Manufacturing and processing credits deduction	(1,704)	(2,841)	3,832
Increase in valuation allowance	(41,239)	(1,338)	(116)
Large corporations tax	(402)	(405)	(404)
Income tax at different rates in foreign and other provincial jurisdictions	(1,156)	(353)	620
Investment tax credits and other	(903)	2,326	331
Effect of legislated tax rate reductions	(12,940)	--	--
Recovery of (provision for) income taxes, as reported	$(11,005)	$ 13,139	$(16,642)

(d) The deferred income tax asset, at December 31, comprise of the following:

	2001	2000
Net operating loss and capital loss carryforwards	$ 16,959	$ 3,669
Investment tax credit and other tax credit carryforwards	1,944	1,353
Write-downs of other assets	5,085	2,590
Excess tax over accounting basis in fixed assets and inventories	37,920	43,400
Accrued reserves	9,628	540
Other	3,135	4,186
Total deferred income tax assets	74,671	55,738
Valuation allowance	(45,504)	(4,265)
	29,167	51,473
Income recognition on net investment in leases	(26,145)	(7,040)
Net deferred income tax asset	$ 3,022	$ 44,433

Net operating loss carryforwards amounting to $22.2 million can be carried forward to reduce taxable income through to 2016. Net capital loss carryforwards amounting to $39.7 million can be carried forward indefinitely to reduce capital gains. Investment tax credits of $2.0 million can be carried forward to reduce income taxes payable through to 2011.

10. SENIOR NOTES DUE 2005

In December 1998, the Company issued $200.0 million of Senior Notes (the "Senior Notes") due December 1, 2005 bearing interest at 7.875% per annum with interest payable in arrears on June 1 and December 1 of each year, commencing June 1, 1999. The Senior Notes are the senior unsecured obligation of the Company, ranking pari passu in right of payment to all existing and future senior unsecured and unsubordinated indebtedness of the Company and senior in right of payment to any subordinated indebtedness of the Company.

10. SENIOR NOTES DUE 2005 (cont'd)

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

Interest expense on the Senior Notes amounted to $15.8 million in 2001 (2000 - $15.8 million, 1999 - $15.8 million).

11. CONVERTIBLE SUBORDINATED NOTES DUE 2003

In April 1996, the Company issued $100.0 million of Convertible Subordinated Notes (the "Subordinated Notes") due April 1, 2003 bearing interest at 5.75% payable in arrears on April 1 and October 1. The Subordinated Notes, subordinate to present and future senior indebtedness of the Company, are convertible into common shares of the Company at the option of the holder at a conversion price of $21.406 per share (equivalent to a conversion rate of 46.7154 shares per $1,000 principal amount of Subordinated Notes) at any time prior to maturity.

The Subordinated Notes are redeemable at the option of the Company on or after April 1, 1999 at redemption prices expressed as percentages of the principal amount (2002 - 100.821%) plus accrued interest. The Subordinated Notes may be redeemed at any time on or after April 1, 2001 without limitation.

Interest expense on the Subordinated Notes amounted to $5.0 million in 2001 (2000 - $5.8 million, 1999 - $5.8 million).

During 2001, the Company and a wholly owned subsidiary of the Company purchased an aggregate of $70.4 million of the Company's Subordinated Notes for $13.7 million, consisting of $12.5 million in cash by the subsidiary and common shares by the Company valued at $1.2 million. The Company recorded an extraordinary gain of $38.7 million, net of income tax expense of $16.8 million.

On January 7, 2002 and January 9, 2002, the Company and a wholly owned subsidiary of the Company purchased an additional $19.5 million in the aggregate of the Company's Subordinated Notes for $7.3 million consisting of $5.2 million in cash by the subsidiary and common shares by the Company valued at $2.1 million (see note 22). The Company will record an additional extraordinary gain of $12.2 million as a result of this transaction in the first quarter 2002. These transactions had the effect of reducing the principal of the Company's outstanding Subordinated Notes to $10.1 million.

(Tabular amounts in thousands of U.S. dollars, unless otherwise stated)

12. COMMITMENTS

(a) Total minimum annual rental payments to be made by the Company under operating leases for premises are as follows:

2002	$ 4,747
2003	4,653
2004	4,432
2005	4,380
2006	4,402
Thereafter	41,044
	$63,658

Rent expense was $5.6 million for 2001 (2000 - $5.5 million, 1999 - $2.9 million). In addition, in 2001 an accrual of $4.2 million (2000 - $nil, 1999 - $nil) was charged to selling, general and administrative expenses for exit costs associated with a plan to vacate and sub-lease one of the Company's premises.

(b) On September 26, 2001, the Company's demand facility with Toronto Dominion Bank Financial Group matured. At the time of maturity, the Company had no cash advances outstanding under the facility, which had been used in the past to facilitate U.S. and Canadian letters of credit and cross currency swaps. This line was secured by the Company's receivables, inventories, certain real estate and other assets of the Company. As of December 31, 2001, the Company has letters of credit of $5.9 million outstanding, which have been collateralized by cash deposits.

13. CONTINGENCIES

(a) In November 2001, the Company filed a complaint with the High Court of Munich (the "Court") against Big Screen, a German large-screen cinema owner in Berlin (the "Big Screen") demanding payment of outstanding Additional Rent and certain other amounts owed to the Company. Big Screen has raised a defense based on alleged infringement of German antitrust rules, relating mainly to an allegation of excessive pricing. The Big Screen is also a member of Euromax, an association of European large-screen cinema owners that filed a complaint in 2000 with the European Commission based on European Community ("EC") competition rules, addressing broadly similar allegations against the Company. In mid-2001, the European Commission sent a preliminary letter to Euromax proposing to reject the complaint based on EC competition rules. The European Commission has not yet taken a final decision. Although the Court has the power to reject or reduce the Company's demands for payment, and the European Commission has the power to impose fines and order cessation of any infringements of EC competition rules, the Company believes that on the basis of currently available information, including the Commission's rejection letter and an initial review of the facts and law, that such results are not likely. The Company believes that all of the allegations in the complaint as well as these allegations in the Big Screen's individual defense are meritless and will accordingly continue to defend the matter vigorously. The Company believes that the amount of the loss, if any, suffered in connection with this dispute would not have a material impact on the financial position or results of operations of the Company, although no assurance can be given with respect to the ultimate outcome of any such litigation.

(b) In June 2000, a complaint was filed against the Company and a third party by Mandalay Resort Group f/k/a Circus Circus Enterprises, Inc., alleging breach of contract and express warranty, fraud and misrepresentation in connection with the installation of certain motion simulation bases in Nevada. The case is being heard in the U.S. District Court for the District of Nevada. The complaint alleges damages in excess of $4.1 million. The Company believes that the allegations made against it in the complaint are meritless and will accordingly defend the matter vigorously. The Company further believes that the amount of loss, if any, suffered in connection with this lawsuit would not have a material impact on the financial position or results of operations of the Company, although no assurance can be given with respect to the ultimate outcome of any such litigation.

13. CONTINGENCIES (cont'd)

(c) In December 2000, the Company filed a complaint against George Krikorian Premiere Theaters LLC and certain other related parties (collectively "Krikorian") in the U.S. District of California, alleging breach of contract and fraud resulting in damages to the Company in excess of $6.0 million. In February 2001, Krikorian filed counterclaims against the Company alleging, among other things, fraudulent inducement and negligent misrepresentation, which counterclaims were subsequently dismissed and then amended. Further counterclaims were filed in May 2001. The Company believes that the allegations made against it in the counterclaims are meritless and will defend against them vigorously. The Company believes that the amount of loss, if any, suffered in connection with any such claims 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 any such litigation.

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

(e) In August 2000, Edwards Theaters Circuit, Inc. and related companies ("Edwards") filed for protection under Chapter 11 of the United States bankruptcy code in the U.S. Bankruptcy Court for the Central District of California, Santa Ana Division. Pursuant to a stipulation reached among Edwards and the Company and approved by the court, Edwards' leases of Company theater system equipment were deemed rejected as of August 1, 2001. On August 2, 2001, the Company filed a proof of claim in the amount of $28.9 million for amounts due and owing to the Company at the time of the commencement of the bankruptcy and for damages arising from Edwards' rejection of the leases pursuant to section 365 of the Bankruptcy Code. In addition, on August 1, 2001, the Company brought an adversary action in the bankruptcy court against Edwards for violations of the Lanham Act for unfair competition and false advertising, trademark dilutions under federal and state law, common law trademark infringement and unfair competition, unfair business practices under state law and misappropriation of trade secrets. Edwards has objected to the Company's claim and moved to disallow it and, on September 4, 2001, Edwards answered the Company's complaint and asserted counterclaims against the Company, alleging non-compliance with the California Franchise Investment Law and negligent misrepresentation. By stipulation of the Company and Edwards, the motion to disallow the Company's claim, and the adversary action filed by the Company including Edwards' counterclaims have been consolidated. In March 2002, Edwards amended its counterclaim to add additional counts, including fraudulent concealment and intentional misrepresentation. The Company intends to move for summary judgement on all claims in the action immediately upon the conclusion of discovery in May 2002. The Company believes that the allegations made by Edwards in its objection to the Company's claim and Edwards' counterclaims are entirely without merit and the Company has and will accordingly defend the matter vigorously. The Company believes that the amount of loss, if any, suffered in connection with such 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 any such litigation.

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

14. CAPITAL STOCK

(a) AUTHORIZED

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

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

REDEEMABLE CLASS C PREFERRED SHARES, SERIES 1

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

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

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

REDEEMABLE CLASS C PREFERRED SHARES, SERIES 2

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

COMMON SHARES

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

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

(b) CHANGES DURING THE PERIOD

In 2001, the Company issued 150,000 common shares pursuant to the exercise of stock options for cash proceeds of $0.03 million, 20,000 common shares with a value of $0.4 million relating to additional consideration in acquiring DPI under the terms of DPI employment contracts, 1,000,000 common shares under terms of the Company's employment contracts with an ascribed value of $2.6 million and 677,600 common shares with an ascribed value of $1.2 million as partial payment for the repurchase of the Subordinated Notes (see note 11).

In 2000, the Company issued 281,300 common shares pursuant to the exercise of stock options for cash proceeds of $1.4 million, 10,658 common shares with a value of $0.2 million related to additional consideration in acquiring DPI under the terms of DPI employment contracts and 1,668 common shares under the terms of an employment contract with an ascribed value of $0.03 million.

In 1999, the Company issued 277,838 common shares pursuant to the exercise of stock options for cash proceeds of $2.2 million and 1,666 common shares were issued under the terms of an employment contract with an ascribed value of $0.03 million.

(c) SHARES HELD BY A SUBSIDIARY

Issued common shares held by a subsidiary of the Company amounted to nil at December 31, 2001 (2000 - nil, 1999 - 148,000). During 2000, 148,000 (1999 - 65,000) common shares held by this subsidiary were sold to a former employee of the Company in connection with the exercise of a stock option grant for cash proceeds of $0.03 million (1999 - $0.01 million).

(Tabular amounts in thousands of U.S. dollars, unless otherwise stated)

14. CAPITAL STOCK (cont'd)

(d) STOCK BASED COMPENSATION

As at December 31, 2001, the Company has reserved a total of 8,372,550 (2000 - 8,522,550) common shares for future issuance as follows:

(i) 166,744 common shares were reserved for issuance pursuant to stock options granted to a former officer of the Company, of which 150,000 were exercised in 2001. These options have an exercise price equivalent to Canadian $0.32 per share and expire on September 1, 2002. These options are fully vested.

(ii) 15,008 common shares have been reserved for issuance pursuant to stock options granted at an exercise price equivalent to Canadian $1.59 per share, which options are fully vested and expire on January 30, 2003.

(iii) 8,340,798 common shares remain reserved for issuance under the Stock Option Plan, of which options in respect of 4,609,086 common shares are outstanding at December 31, 2001. The options granted under the Stock Option Plan generally vest between one and five years and expire 10 years or less from the date granted. At December 31, 2001, options in respect of 2,549,182 common shares were vested and exercisable.

Under the terms of certain employment agreements, the Company is required to issue 360,000 restricted common shares or pay their cash equivalent. The restricted shares or the related cash obligation vest one-third on each of January 1 and July 1, 2001, and July 1, 2002. The Company has recorded an expense of $0.6 million in 2001 (2000 - $0.2 million, 1999 - $nil) under this agreement.

	NUMBER OF SHARES			WEIGHTED AVERAGE EXERCISE PRICE PER SHARE		
	2001	2000	1999	2001	2000	1999
Options outstanding, beginning of year	8,071,072	5,157,400	3,327,300	$ 21.91	$ 20.18	$ 19.38
Granted	1,395,128	3,224,972	2,225,000	2.95	24.25	20.32
Exercised	-	(131,300)	(201,638)	-	9.06	10.82
Cancelled(1)	(2,867,100)	-	-	21.42	-	-
Forfeited	(1,990,014)	(180,000)	(193,262)	21.94	26.17	18.09
Options outstanding, end of year	4,609,086	8,071,072	5,157,400	16.98	21.91	20.18
Options exercisable, end of year	2,549,182	3,269,728	2,514,634			

(1) Included in 2001 are stock options for 2,600,000 common shares cancelled for $nil consideration in conjunction with the issuance of 650,000 common shares under the terms of certain employment agreements. The cancellation of the remaining balance of stock options was done for $nil consideration.

The following table summarizes certain information in respect of options outstanding under the Stock Option Plan at December 31, 2001:

	NUMBER OF SHARES			
RANGE OF EXERCISE PRICES PER SHARE	OUTSTANDING	VESTED	WEIGHTED AVERAGE EXERCISE PRICE PER SHARE	AVERAGE REMAINING TERM
$ 0.00 - $ 4.99	1,193,128	97,657	$ 2.96	6.6 Years
$ 5.00 - $ 9.99	191,100	191,100	6.75	3.0 Years
$10.00 - $14.99	41,000	41,000	11.94	4.1 Years
$15.00 - $19.99	324,320	318,820	16.41	6.0 Years
$20.00 - $24.99	1,974,972	1,403,672	22.15	7.1 Years
$25.00 - $28.99	884,566	496,933	27.02	7.8 Years
Total	4,609,086	2,549,182	16.98	6.7 Years

(Tabular amounts in thousands of U.S. dollars, unless otherwise stated)

14. CAPITAL STOCK (cont'd)

(e) EARNINGS (LOSS) PER SHARE

	YEARS ENDED DECEMBER 31,		
	2001	2000	1999
Net earnings (loss) applicable to common shareholders:			
Earnings (loss) before cumulative effect of changes in accounting principles and extraordinary items	$ (183,848)	$ (31,837)	$ 25,233
Cumulative effect of changes in accounting principles, net of income tax benefit of $37,286	--	(61,110)	--
Extraordinary gain on repurchase of convertible subordinated notes, net of income tax expense of $16,843	38,734	--	--
	$ (145,114)	$ (92,947)	$ 25,233
Weighted average number of common shares:			
Issued and outstanding, beginning of year	30,051,514	29,757,888	29,478,384
Weighted average number of shares issued during the year	864,167	116,227	137,404
Weighted average number of shares used in computing basic earnings (loss) per share	30,915,681	29,874,115	29,615,788
Assumed exercise of stock options, net of shares assumed	--	--	897,590
Assumed conversion of Subordinated Notes	--	--	1,167,855
Weighted average number of shares used in computing diluted earnings (loss) per share	30,915,681	29,874,115	31,681,233

The calculation of diluted loss per share for 2001 and 2000 excludes options to purchase common shares of stock which were outstanding, and common shares issuable upon conversion of the Subordinated Notes, as the impact of these exercises and conversions would be anti-dilutive.

If the methodology prescribed by FAS 123, had been adopted by the Company, pro forma results for the year ended December 31, would have been as follows:

	2001	2000	1999
Net earnings (loss)	$(155,404)	$(99,314)	$20,362
Earnings (loss) per share:			
Basic	$ (5.03)	$ (3.32)	$ 0.69
Diluted	$ (5.03)	$ (3.32)	$ 0.64

The weighted average fair value of common share options granted in 2001 at the time of grant was $3.2 million (2000 - $24.1 million, 1999 - $14.7 million). The fair value of common share options granted is estimated at the grant date using the Black-Scholes option-pricing model with the following assumptions: dividend yield of 0%, an average risk free interest rate of 4.5% (2000 - 6.0%, 1999 - 6.0%), 20% forfeiture of options vesting greater than two years, expected life of one to five years and expected volatility of 200% due to the potential significant fluctuations in the Company's stock price.

(Tabular amounts in thousands of U.S. dollars, unless otherwise stated)

15. CONSOLIDATED STATEMENTS OF OPERATIONS SUPPLEMENTAL INFORMATION

The Company, as part of its review of financial results and ongoing assessment of the carrying value of the Company's assets, primarily due to industry-wide economic and financial difficulties faced by many of the Company's customers, recorded the following charges:

(a) Within costs of goods and services, the Company recorded a charge of $16.5 million in 2001 (2000 - $8.6 million, 1999 - $nil) based on the reduced fair values of the Company's film assets. In 2001, the Company also recorded a charge of $4.1 million for inventories (2000 - $nil, 1999 - $nil), due to a reduced net realizable value.

(b) The Company recorded a charge of $4.5 million to selling, general and administrative expenses in 2001 (2000 - $13.1 million, 1999 - $0.9 million) relating to the Company's accounts receivable, as collectibility on certain accounts was considered uncertain.

(c) In performing its assessment of the carrying value of long-term investments, the Company recorded $5.6 million in 2001 (2000 - $4.1 million, 1999 - $nil) in charges for declines in the value that are considered to be other than temporary.

16. RESTRUCTURING COSTS AND ASSET IMPAIRMENTS

	YEARS ENDED DECEMBER 31,		
	2001	2000	1999
Restructuring costs(1)	$16,292	$ --	$ --
Asset impairments			
Net investment in leases(2)	13,633	--	--
Fixed assets(3)	26,660	11,152	--
Other assets	3,283	--	--
Total	$59,868	$11,152	$ --

(1) In its efforts to stabilize and rationalize its business, the Company has been focused on reducing expenses and changing its corporate structure to reflect industry-wide economic and financial difficulties faced by many of the Company's customers. The Company has relocated its Sonics sound-system facility in Birmingham, Alabama to near Toronto, Canada, and has reduced its overall corporate workforce by 208 employees. In 2001, the Company recorded expenses of $12.6 million for staff severances and $3.7 million for premises relocation charges. As at December 31, 2001 the Company had accrued liabilities of $5.1 million (2000 - $nil) for costs of severed employees to be paid to employees over the next three years.

(2) In its assessment of the carrying value of the Company's net investment in leases for the year ended December 31, 2001, the Company recorded a charge of $13.6 million (2000 - $nil, 1999 - $nil), as collectibility associated with certain leases was considered uncertain.

(3) The Company, in assessing the carrying value of its fixed and other assets pursuant to FASB Statement of Financial Accounting Standard No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("FAS 121"), recorded charges of $26.7 million in 2001 (2000 - $11.2 million, 1999 - $nil) relating to fixed assets.

(Tabular amounts in thousands of U.S. dollars, unless otherwise stated)

17. CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEARS ENDED DECEMBER 31,		
	2001	2000	1999
(a) Changes in other non-cash operating assets and liabilities comprise of the following:			
Decrease (increase) in:			
Accounts receivable	$ 1,331	$ (111)	$ (1,499)
Net investment in leases	5,687	(9,258)	(34,097)
Inventories	6,852	(6,657)	2,882
Prepaid expenses	(33)	(1,939)	1,145
Increase (decrease) in:			
Accounts payable	(9,862)	(7,127)	(3,165)
Accrued liabilities	9,251	2,361	(16,539)
Deferred revenue	(9,335)	(8,613)	3,079
Income taxes payable (recoverable)	10,629	(42,585)	32,796
	$ 14,520	$(73,929)	$(15,398)
(b) Cash payments made during the year on account of:			
Income taxes	$ 1,107	$ 33,613	$ 7,464
Interest	$ 21,910	$ 21,500	$ 21,369
(c) Depreciation, amortization and write-downs comprise of the following:			
Depreciation and amortization:			
Film assets	$ 10,544	$ 9,346	$ 13,595
Fixed assets	8,652	11,131	5,038
Other assets	3,075	4,982	2,268
Goodwill and intangibles	3,005	2,114	2,159
Deferred financing costs	1,149	1,213	1,219
	26,425	28,786	24,279
Write-downs:			
Accounts receivable	4,469	13,086	949
Net investment in leases	13,633	--	--
Inventories	4,053	--	--
Film assets	16,514	8,602	--
Fixed assets	26,660	11,152	--
Other assets	8,047	--	--
	73,376	32,840	949
	$ 99,801	$ 61,626	$ 25,228

(Tabular amounts in thousands of U.S. dollars, unless otherwise stated)

18. SEGMENTED AND OTHER INFORMATION

As of December 31, 2001, the Company has three reportable segments: IMAX systems, films and other. The Company's digital projection systems operating segment was disposed of effective December 11, 2001 and has been reflected as discontinued operations (see note 3). The IMAX systems segment designs, manufactures, sells or leases and maintains IMAX theater projection systems. The films segment produces and distributes films, and performs film post-production services. The other segment includes camera rentals and theater operations. The accounting policies of the segments are the same as those described in note 2. Segment performance is evaluated based on gross margin less selling, general and administrative expenses, research and development expenses, amortization, income (loss) from equity-accounted investees and restructuring costs and asset impairments. Inter-segment transactions are not significant.

(a) OPERATING SEGMENTS

	YEARS ENDED DECEMBER 31,		
	2001	2000	1999
REVENUE			
IMAX systems	$ 76,582	$ 113,226	$ 126,826
Films	29,923	41,711	47,227
Other	12,154	18,179	18,783
Total	$ 118,659	$ 173,116	$ 192,836
EARNINGS (LOSS) FROM OPERATIONS			
IMAX systems	$ 4,226	$ 38,660	$ 70,403
Films	(33,022)	(13,734)	244
Other	(21,850)	(23,321)	(1,980)
Corporate overhead	(43,233)	(19,936)	(14,232)
Total	$ (93,879)	$ (18,331)	$ 54,435
DEPRECIATION, AMORTIZATION AND WRITE-DOWNS			
Depreciation and amortization:			
IMAX systems	$ 12,548	$ 8,187	$ 5,741
Films	8,725	11,208	14,044
Other and corporate	5,152	9,391	4,494
	26,425	28,786	24,279
Write-downs:			
IMAX systems	24,421	13,086	949
Films	30,901	8,602	--
Other and corporate	18,054	11,152	--
	73,376	32,840	949
Total	$ 99,801	$ 61,626	$ 25,228
PURCHASE OF FIXED ASSETS			
IMAX systems	$ 173	$ 3,600	$ 9,934
Films	3	15,147	5,778
Other	915	8,896	6,753
Total	$ 1,091	$ 27,643	$ 22,465

	AT DECEMBER 31,		
	2001	2000	1999
ASSETS			
IMAX systems	$182,319	$222,119	$254,940
Films	30,372	68,609	65,149
Other	9,014	38,262	47,099
Corporate	39,807	101,219	130,371
Discontinued operations	--	61,891	40,678
Total	$261,512	$492,100	$538,237

(Tabular amounts in thousands of U.S. dollars, unless otherwise stated)

18. SEGMENTED AND OTHER INFORMATION (cont'd)

(b) GEOGRAPHIC INFORMATION

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

	YEARS ENDED DECEMBER 31,		
	2001	2000	1999
REVENUE			
Canada	$ 5,524	$ 8,454	$ 15,289
United States	71,357	82,987	99,184
Europe	21,880	43,141	34,953
Japan	3,971	4,512	10,835
Rest of World	15,927	34,022	32,575
Total	$118,659	$173,116	$192,836

	AT DECEMBER 31,		
	2001	2000	1999
LONG-LIVED ASSETS			
Canada	$ 52,654	$ 61,427	$ 73,278
United States	33,802	53,246	33,089
Europe	1,126	3,773	350
Japan	40	840	131
Rest of World	4,057	8,580	1,847
Total	$ 91,679	$127,866	$108,695

(c) REVENUE AND COST OF GOODS AND SERVICES

	YEARS ENDED DECEMBER 31,		
	2001	2000	1999
Revenue:			
Products	$ 80,403	$121,478	$141,816
Services	38,256	51,638	51,020
Total revenue	$118,659	$173,116	$192,836
Costs of goods and services:			
Products	$ 63,270	$ 66,321	$ 58,272
Services	34,121	46,334	39,701
Total costs of goods and services	$ 97,391	$112,655	$ 97,973

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

(Tabular amounts in thousands of U.S. dollars, unless otherwise stated)

19. FINANCIAL INSTRUMENTS

From time to time the Company engages in hedging activities to reduce the impact of fluctuations in foreign currencies on its profitability and cash flow. The Company is exposed to market risk from changes in foreign currency rates. The Company does not use financial instruments for trading or other speculative purposes.

A substantial portion of the Company's revenues are denominated in U.S. dollars while a substantial portion of its costs and expenses are denominated in Canadian dollars. A portion of the net U.S. dollar flows of the Company are converted to Canadian dollars to fund Canadian dollar expenses, either through the spot market or through forward contracts. Existing foreign exchange contracts expired on October 16, 2001 and the Company recorded a loss of $0.1 million. The Company plans to convert Canadian dollar expenses to U.S. dollars through the spot and forward markets on a go-forward basis. In Japan, the Company has ongoing operating expenses related to its operations. Net Japanese Yen flows are converted to U.S. dollars generally through forward contracts to minimize currency exposure. The Company also has cash receipts under leases denominated in Japanese Yen and French francs which were converted to U.S. dollars generally through forward contracts to minimize currency exposure. These contracts were sold on August 9, 2001 for proceeds of $0.7 million. The Company plans to convert Japanese Yen and French franc lease cash flows to U.S. dollars through the spot and forward markets on a go-forward basis.

The Company entered into an interest rate swap transaction in May 1999 for a term commencing June 1, 1999 and terminating on December 1, 2002. The Company had agreed to pay a floating rate of LIBOR plus 1.49% to June 1, 2000 and LIBOR plus 2.09% for the remainder of the term and the counterparty had agreed to pay a fixed rate of 7.875% on notional principal of $65.0 million. The floating rate was revised every 1st of December, March, June and September. The Company adjusted interest expense over each three-month period for the net amount it was to receive from, or pay to, the counterparty. The Company sold its entire position in the swap to a third party on January 10, 2001 for net proceeds of $0.2 million.

The Company's adoption of FASB Statement of Financial Accounting Standards No. 133 "Accounting for Derivative Instruments and Hedging Activities" effective January 1, 2001 did not have a significant impact on the accounts.

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

	2001		2000	
	CARRYING AMOUNT	ESTIMATED FAIR VALUE	CARRYING AMOUNT	ESTIMATED FAIR VALUE
Investments in marketable debt securities	$ --	$ --	$ 7,529	$ 7,529
Other investments	--	--	7,679	7,679
Senior Notes	200,000	80,000	200,000	110,000
Subordinated Notes	29,643	9,189	100,000	38,500
Foreign currency contracts	--	--	731	363
Interest rate swap contracts	--	--	--	(209)

The fair value of investments in marketable debt securities approximates carrying value due to the short-term maturity of the investments. The fair value of other investments is based on quoted market prices or dealer quotes. The fair values of the Company's Senior Notes and Subordinated Notes are estimated based on quoted market prices for the Company's debt. The fair value of foreign currency contracts held for hedging purposes represents the estimated amount the Company would receive upon termination of the agreements, taking into consideration current exchange rates and the credit worthiness of the counterparties. The fair value of the interest rate swap contracts represents the estimated amount the Company would pay to the counterparty to terminate the agreement, taking into account the interest rate at year end.

(Tabular amounts in thousands of U.S. dollars, unless otherwise stated)

19. FINANCIAL INSTRUMENTS (cont'd)

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

A substantial proportion of the Company's revenues are generated from customers in the commercial exhibition industry, which experienced significant deterioration in financial condition in 2001 and 2000. To minimize its credit risk in this area, the Company retains title to underlying theater systems leased, registers theater systems sold as collateral, performs initial and ongoing credit evaluations of its customers and makes ongoing provisions for its estimate of potentially uncollectible amounts.

20. EMPLOYEE PENSION PLANS

(A) DEFINED BENEFIT PLAN

On July 12, 2000, the Company established a defined benefit pension plan covering its two Co-Chief Executive Officers. The plan provides for a lifetime retirement benefit from age 55 determined as 75% of the member's best average 60 consecutive months of earnings during the 120 months preceeding retirement. Once benefit payments begin, the benefit is indexed annually to the cost of living and further provides for 100% continuance for life to the surviving spouse. The benefits were 50% vested as at July 12, 2000, the plan initiation date. The vesting percentage increases on a straight-line basis from inception until age 55. The vesting percentage of a member whose employment terminates other than by voluntary retirement shall be 100%. Also, upon the occurrence of a change in control prior to termination of a member's employment, the vesting percentage shall become 100%. The following assumptions were used in determining the unfunded status of the Company's defined benefit pension plan at December 31:

	2001	2000
Discount rate	7.0%	7.0%
Rate of increase in compensation levels	1.5%	1.5%

The amounts accrued for the plan are determined as follows:

Projected benefit obligation:	2001	2000
Obligation, beginning of year	$ 11,595	$ --
Obligation arising on initiation of plan	--	11,321
Service cost	1,701	831
Interest cost	871	411
Actuarial gain	(348)	(968)
Obligation, end of year	$ 13,819	$ 11,595
Unfunded status:		
Obligation, end of year	$ 13,819	$ 11,595
Unrecognized prior service cost	(9,224)	$ (10,622)
Unrecognized actuarial gain	1,316	968
Accrued pension liability	$ 5,911	$ 1,941

In addition, included in accrued liabilities, is a minimum pension liability of $6.6 million (2000 - $8.5 million), representing unrecognized prior service costs.

(Tabular amounts in thousands of U.S. dollars, unless otherwise stated)

20. EMPLOYEE PENSION PLANS (cont'd)

(a) DEFINED BENEFIT PLAN (cont'd)

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

	2001	2000
Service cost	$ 1,701	$ 831
Interest cost	871	411
Amortization of prior service cost	1,398	699
Pension expense	$ 3,970	$ 1,941

At the time the Company established the defined benefit pension plan, it also took out life insurance policies on its two Co-Chief Executive Officers. The Company intends to use the proceeds of such insurance policies to satisfy, in whole or in part, the survival benefits due and payable under the plan, although there can be no assurance that the Company will elect to do so. At December 31, 2001, the cash surrender value of the insurance policies is $0.4 million.

(b) DEFINED CONTRIBUTION PLANS

The Company also maintains defined contribution employee pension plans for its employees, including its executive officers. The Company makes contributions to these plans on behalf of employees in an amount equal to 5% of their base salary subject to certain prescribed maximums. During 2001, the Company contributed and expensed an aggregate of $0.5 million (2000 - $0.6 million, 1999 - $0.6 million) to the Canadian plan and an aggregate of $0.3 million (2000 - $0.4 million, 1999 - $0.2 million) to the Company's defined contribution employee pension plan under Section 401(k) of the U.S. Internal Revenue Code.

21. IMPACT OF RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

(a) FASB STATEMENT OF FINANCIAL ACCOUNTING STANDARD NO. 142, "GOODWILL AND OTHER INTANGIBLE ASSETS" ("FAS 142")

With the adoption of FAS 142, goodwill will no longer be subject to amortization over its estimated useful life but instead will be subject to at least an annual assessment for impairment by applying a fair-value-based test. The Company must adopt the requirements of FAS 142 effective January 1, 2002.

As of December 31, 2001, the Company carried the following values for goodwill and intangibles on its balance sheet, net of accumulated amortization:

INTANGIBLES	
Patents, trademarks and other intangibles	$ 4,107
GOODWILL	
IMAX	$ 32,457
Sonics Associates, Inc.	6,570
	$ 39,027

The amortization of goodwill for the year ended December 31, 2001 was $2.3 million. Prior to the implementation of FAS 142 goodwill amortization was projected to be approximately $2.3 million per year for the years 2002, 2003 and 2004.

The Company is currently evaluating the effect of adopting this pronouncement.

21. IMPACT OF RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS (cont'd)

(b) FASB STATEMENT OF FINANCIAL ACCOUNTING STANDARD NO. 144, "ACCOUNTING FOR THE IMPAIRMENT OR DISPOSAL OF LONG-LIVED ASSETS" ("FAS 144")

FAS 144 supercedes FAS 121 and the accounting and reporting provisions of APB 30 for segments of a business to be disposed of. The pronouncement is effective January 1, 2002, and will be adopted by the Company at that time.

The Company is currently evaluating the effect of adopting this pronouncement.

22. SUBSEQUENT EVENTS

On January 7, 2002 and January 9, 2002, the Company and a wholly owned subsidiary of the Company purchased an additional $19.5 million in the aggregate of the Company's Subordinated Notes for $7.3 million, consisting of $5.2 million in cash by the subsidiary and common shares by the Company valued at $2.1 million. The Company will record an additional extraordinary pre-tax gain of $12.2 million as a result of this transaction in the first quarter of 2002. These transactions had the effect of reducing the principal of the Company's outstanding Subordinated Notes to $10.1 million.

On January 1, 2002, the Company entered into an agreement with its print supplier, Technicolor Inc. ("Technicolor"), under which the Company receives certain favorable discounts on its, its affiliates' and its customers' film processing costs. Such discounts, which are based on, among other things, footage of work provided to Technicolor by the Company on an annual basis, are to be credited against an upfront payment provided by Technicolor to the Company in February 2002. As collateral, a priority mortgage on the Company's Mississauga facility was registered in favor of Technicolor, which mortgage will be released after a portion of the upfront payment is recouped by Technicolor, or upon the occurrence of certain other conditions. The agreement with Technicolor, which requires the Company to use only Technicolor or Technicolor affiliates for its large-format film processing, expires September 30, 2006.

On February 14, 2002, the Company and Regal Cinemas, Inc. ("Regal") signed an agreement pursuant to which Regal agreed to assume its master system lease agreement with the Company dated June 23, 1997, as modified by the parties, in connection with Regal's bankruptcy proceeding, resulting in Regal's six existing IMAX theaters remaining in operation. As part of the agreement, pursuant to Regal's Motion for Entry of Agreed Order Authorizing Assumption of Executory Contract with IMAX Corporation filed in the United States Bankruptcy Court, Middle District of Tennessee, Regal paid the Company $6.45 million in satisfaction of all of the Company's claims against Regal in its bankruptcy.

(Tabular amounts in thousands of U.S. dollars, unless otherwise stated)

23. ACQUISITIONS

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

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

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

In 2000, the Company recorded an increase of $0.9 million to goodwill in finalizing the purchase allocation and the additional amounts arising under the escrow arrangements.

As described in note 3, the Company disposed of DPI effective December 11, 2001.

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

The Company increased goodwill in 2001 by $1.0 million (2000 - $0.3 million) to account for the guaranteed earn-out amount paid to the former shareholders.

(Tabular amounts in thousands of U.S. dollars, unless otherwise stated)

24. CHANGES IN ACCOUNTING POLICIES

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

In preparing its financial statements for the year ended December 31, 2000, the Company reviewed its revenue recognition accounting policies in the context of SAB 101. In accordance with the interpretive guidance of SAB 101, the Company, effective January 1, 2000, recognizes revenue on theater systems, whether pursuant to sales-type leases or sales, at the time that installation is complete. Prior to January 1, 2000, the Company recognized revenue from sales-type leases and sales of theater systems at the time of delivery. The effect of applying this change in accounting principle was a fiscal 2000 non-cash charge of $54.5 million, net of income taxes of $33.4 million, or $1.82 per share, representing the cumulative impact on retained earnings as at December 31, 1999.

The following are pro forma amounts for the year ended December 31, 1999 as if SAB 101 had been applied during all years presented:

	1999
Revenue	$166,617
Net earnings	$ 7,655
Basic earnings per share	$ 0.26
Diluted earnings per share	$ 0.25

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

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

25. FINANCIAL STATEMENT PRESENTATION

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth certain information regarding the directors and executive officers of the Company.

Richard L. Gelfond	46	Co-Chairman and Co-Chief Executive Officer and Director
Bradley J. Wechsler	50	Co-Chairman and Co-Chief Executive Officer and Director
Kenneth G. Copland	64	Director
J. Trevor Eyton	67	Director
Garth M. Girvan	52	Director
Ellis B. Jones	48	Director
G. Edmund King	68	Director
Murray B. Koffler	78	Director
Sam Reisman	49	Director
Marc A. Utay	42	Director
W. Townsend Ziebold	40	Director
Francis T. Joyce	49	Chief Financial Officer
Greg Foster	39	President, Filmed Entertainment
Robert D. Lister	33	Executive Vice President, Business & Legal Affairs and General Counsel
Mary Pat Ryan	45	Executive Vice President, Worldwide Marketing
Brian Bonnick	45	Senior Vice President, Technology
David B. Keighley	53	Senior Vice President & President, David Keighley Productions 70MM Inc.
Larry O'Reilly	39	Senior Vice President, Theatre Development & Film Distribution
G. Mary Ruby	44	Deputy General Counsel, Senior Vice President, Legal Affairs and Corporate Secretary
Mary C. Sullivan	38	Senior Vice President, Human Resources & Administration
Mark Welton	38	Senior Vice President, Business Affairs
Kathryn A. Gamble	34	Vice President, Finance and Controller
Edward MacNeil	37	Vice President, Finance, Special Projects

Under the Articles of IMAX Corporation, the Board of Directors is divided into three classes, each of which serves for a three year term. The term of Class II directors, currently composed of Kenneth G. Copland, Garth M. Girvan, Murray B. Koffler and Marc A. Utay expires in 2002. The term of Class I directors, currently composed of J. Trevor Eyton, O.C., G. Edmund King, Sam Reisman and W. Townsend Ziebold expires in 2003. The term of Class III directors, currently composed of Richard L. Gelfond, Ellis B. Jones and Bradley J. Wechsler expires in 2004.

RICHARD L. GELFOND has been Co-Chairman of the Company since June 1999 and Co-Chief Executive Officer since May 1996. From March 1994 to June 1999 Mr. Gelfond served as Vice Chairman of the Company. In addition, Mr. Gelfond serves on the boards of Mainframe Entertainment, Inc. and several private and philanthropic entities.

BRADLEY J. WECHSLER has been Chairman or Co-Chairman of the Company since March 1994 and Co-Chief Executive Officer with Mr. Gelfond since May, 1996. Mr. Wechsler serves on the boards of Mainframe Entertainment, Inc., NYU Hospital, the Kernochan Center for Law, Media and the Arts, and the American Museum of the Moving Image.

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT (cont'd)

KENNETH G. COPLAND, a Director of the Company since June 1999, is the Chairman of KGC Ltd. Mr. Copland was the Vice-Chairman of BMO Nesbitt Burns Inc. from 1994 to May 2001. He is Chairman of Humber College Foundation and HC Educational Ventures Limited. Mr. Copland is a director of the Investment Dealers Association of Canada. Mr. Copland is a Canadian citizen.

THE HONOURABLE J. TREVOR EYTON, a Director of the Company since June 1999, is a senior director of Brascan Corporation, and prior to May 2000 was a senior officer of Brascan Corporation in various capacities dating back to 1979 when he was appointed President and Chief Executive Officer. He is also a director of Noranda Inc., Coca-Cola Enterprises, General Motors of Canada, Limited and Ivernia West Inc., as well as a member of the Advisory Board of Nestle Canada Ltd. Senator Eyton, a Canadian citizen, has been a member of the Senate of Canada since September 1990 and is an Officer of the Order of Canada.

GARTH M. GIRVAN, a Director of the Company since 1994, is a partner of McCarthy Tetrault, Canadian counsel to the Company. Mr. Girvan is a Canadian citizen.

ELLIS B. JONES, a Director of the Company since June 2001, has been the Chief Executive Officer of Wasserstein & Co., LP, a merchant banking and venture capital firm since January, 2001. Prior to that he was a Managing Director in charge of merchant banking at Wasserstein Perella & Co., Inc. Mr. Jones serves as a director for a number of privately held companies.

G. EDMUND KING, a Director of the Company since June 1999, has been Deputy Chairman and a director of McCarvill Corporation since January, 1996. Mr. King is also a director of Falconbridge Ltd., and Afton Food Group Ltd. From June 1994 to January 1998, Mr. King was Chairman of WIC Western International Communications. Mr. King is a Canadian citizen.

MURRAY B. KOFFLER, a Director of the Company since May 1996, founded Shoppers Drug Mart in 1968 and presently serves as its Honorary Chairman. Mr. Koffler co-founded Four Seasons Hotels Limited and presently serves as a Director. Since 1988, Mr. Koffler has been Chairman of the International Board of Directors of the Weizmann Institute of Science in Israel. Mr. Koffler holds numerous other directorships. Mr. Koffler is a Canadian citizen and is an Officer of the Order of Canada.

SAM REISMAN, a Director of the Company since June 1999, has been the principal shareholder, Chairman and Chief Executive Officer of The Rose Corporation, a real estate finance and investment company which was previously a real estate development company, since September 1986. Mr. Reisman is currently the principal shareholder of Hayden Industrial Products of Corona, California, formerly a division of The Equion Corporation. Mr. Reisman is a Canadian citizen.

MARC A. UTAY, a Director of the Company since May 1996, has been a Managing Member of Clarion Capital Partners since November 1999. Prior to joining Clarion, Mr. Utay was a Managing Director of Wasserstein Perella & Co. Inc. and a member of Wasserstein Perella's Policy Committee. Mr. Utay was co-head of Wasserstein Perella's Leveraged Finance, Retailing and Media, Telecommunication and Entertainment groups. Prior to his joining Wasserstein Perella, Mr. Utay was Managing Director at Bankers Trust Company where he specialized in leveraged finance and mergers and acquisitions. Mr. Utay is a director of P & F Industries, Inc and FONS Corp.

W. TOWNSEND ZIEBOLD, a Director of the Company since June 1999 and has been the Non-Executive Chairman of the Board since June 2001. Mr. Ziebold is currently President of the Venture Capital Practice of Wasserstein & Co., L.P., formerly the private equity arm of Wasserstein Perella Group Inc. Previously, Mr. Ziebold was a Managing Director of Wasserstein Perella & Co., Inc. and head of its Venture Capital Practice. Mr. Ziebold was a director of Maybelline, Inc. and Collins & Aikman Corporation and currently serves on several private company boards in the media, entertainment and Internet industries.

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT (cont'd)

FRANCIS T. JOYCE joined the Company in March, 2001, as Chief Financial Officer. Prior to joining the Company Mr. Joyce held the position of Chief Financial Officer of the Internet company theglobe.com from 1998 until his employment with the Company. From 1997 to 1998, Mr. Joyce served as Chief Financial Officer of Reed Travel Group, a division of Reed Elsevier PLC and from 1994 to 1997 served as Chief Financial Officer of the Alexander Consulting Group, a division of Alexander and Alexander Services Inc., an international professional services firm. Mr. Joyce is a member of Financial Executive International and the American Institute of Certified Public Accountants.

GREG FOSTER joined the Company in March, 2001 as President, Filmed Entertainment. Prior to joining the Company, Mr. Foster was Executive Vice-President of Production at MGM/UA. Prior to that Mr. Foster held other senior positions including Senior Vice-President of Motion Picture Marketing Research during his 15 years at MGM/UA.

ROBERT D. LISTER joined the Company as Senior Vice President, Legal Affairs and General Counsel in May 1999 and was appointed Executive Vice President, Business & Legal Affairs in May 2001. Prior to joining the Company, Mr. Lister was Vice President, General Counsel and Secretary of Clearview Cinemas, a film exhibitor, from March 1998 until his employment with the Company. Prior to that, Mr. Lister served as Associate General Counsel of Merit Behavioral Care Corporation, a behavioral healthcare company, from March 1996 through March 1998. Mr. Lister is a member of the New York State Bar Association.

MARY PAT RYAN joined the Company in 1999 as Executive Vice President,. and President, Network Group and was appointed Executive Vice President, Worldwide Marketing in January 2001. Prior to joining the Company, Ms. Ryan was Senior Vice President, Marketing and Creative Services of Lifetime Entertainment Services, provider of one of the nations leading basic television networks Lifetime, Television for Women, and Lifetime Movie Network, a movie network targeted to women, from September 1998 to July 1999. Prior to that, Ms. Ryan was Executive Vice President, Marketing and Programming of U.S. Satellite Broadcasting, a national satellite television provider from February 1994 to August, 1998.

BRIAN BONNICK joined the Company in 1999 as Vice President, Research & Development and was appointed Senior Vice President, Technology in August 2001. Prior to joining the Company, Mr. Bonnick was Vice President, Engineering and Operations for Electrohome Corporation. Prior to that Mr. Bonnick was Vice President and General Manager at TSB International Inc. a telecommunications company. Mr. Bonnick is registered as a professional engineer by the Association of Professional Engineers of Ontario. Mr. Bonnick is a Canadian citizen.

DAVID B. KEIGHLEY has been a Senior Vice President of the Company since July 1997 and is President of David Keighley Productions 70MM Inc. From January 1995 to July 1997, Mr. Keighley was a Vice President of the Company. He is responsible for motion picture and digital post-production and image quality assurance for 15/70-format films. Mr. Keighley is a Canadian citizen.

LARRY O'REILLY joined the Company in 1994 as the Sales Manager, Film Distribution and was appointed Senior Vice President, Theatre Development & Film Distribution in January 2002. Mr. O'Reilly has held various positions within the Company including Manager, Business Development: Film; Director, Strategic Partnerships; Director, Commercial Marketing: The Americas and Vice President, Sales, The Americas. Mr. O'Reilly is a Canadian citizen.

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT (cont'd)

G. MARY RUBY joined the Company in 1987 as Associate General Counsel and was appointed Senior Vice President, Legal Affairs in 2001. Ms Ruby was General Counsel from February 1989 to February 1997. Ms. Ruby is Deputy General Counsel and acts as Corporate Secretary to the Board of Directors. Ms. Ruby is a member of the Ontario Bar and is a Canadian citizen.

MARY C. SULLIVAN joined the Company in 1996 as Director, Human Resources and was appointed Vice President, Human Resources and Administration in 1998 and Senior Vice President, Human Resources and Administration in 2000. Prior to joining the Company, Ms. Sullivan was Director, Human Resources of Central Park Lodges. Ms. Sullivan is a Canadian citizen.

MARK WELTON joined the Company in July 1997 as Director, Business Affairs and was appointed Senior Vice President, Business Affairs in September 2001. Previous to that Mr. Welton was Vice President, Business Affairs, a position he held since January, 2000. Prior to joining the Company Mr. Welton was an Associate Lawyer at Stikeman, Elliot from 1994 until his employment with the Company. Mr. Welton is a Canadian citizen.

KATHRYN A. GAMBLE joined the Company in July 2001 as Vice President, Finance and Controller. Prior to joining the Company Ms. Gamble served as Vice President, Finance and Chief Financial Officer of an Internet company, Healthyconnect.com Inc. from 2000 until her employment with the Company. From 1996 to 2000, Ms. Gamble served as Vice President and Chief Financial Officer of Med-emerg Inc. a Nasdaq listed healthcare company. Ms. Gamble is a member of the Canadian Institute of Chartered Accountants and a Canadian citizen.

EDWARD MACNEIL joined the Company in April, 1994 as Director, Taxation & Treasury and was appointed Vice President, Finance, Special Projects in September 2001. From October 1999 to August 2001, Mr. MacNeil held the position of Director and Senior Vice President, Digital Projection Limited, a former IMAX subsidiary. Prior to joining the Company Mr. MacNeil was a Taxation Manager at PricewaterhouseCoopers. Mr. MacNeil is a member of the Canadian Institute of Chartered Accountants and a Canadian citizen.

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: "Summary Compensation Table", "Options Granted", "Pension Plans", "Employment Contracts", "Compensation Committee" and "Directors' Compensation".

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information with respect to the beneficial ownership of each class of the Company's securities as at December 31, 2001 or as otherwise indicated in the notes below, including (i) all beneficial owners of more than 5% of the Company's voting capital stock, (ii) all directors and Named Executive Officers individually, and (iii) all directors and executive officers as a group.

		SHARES BENEFICIALLY OWNED	
TITLE OF CLASS	BENEFICIAL OWNERS	NUMBER OF SHARES(1)	% OF CLASS(2)
Common Shares	WASSERSTEIN PERELLA GROUP: Wasserstein Perella Partners, L.P. Wasserstein Perella Offshore Partners, L.P. WPPN, L.P. Michael J. Biondi solely in his capacity as Voting Trustee Wasserstein Capital, L.P.	10,195,384 (3)	30.33
	PRUDENTIAL FINANCIAL, INC.: Prudential Financial, Inc. Jennison Associates LLC	3,094,054 (4)	9.21
	Richard L. Gelfond	2,070,900 (5)	6.16
	Bradley J. Wechsler	1,945,800 (6)	5.79
	Kenneth G. Copland	31,836 (7)	*
	J. Trevor Eyton	17,934 (8)	*
	Garth M. Girvan	59,734 (9)	*
	Ellis B. Jones....................................	11,902(10)	*
	G. Edmund King	21,836 (7)	*
	Murray B. Koffler	32,200(11)	*
	Sam Reisman	96,865(12)	*
	Marc A. Utay	273,836 (9)	*
	W. Townsend Ziebold	21,836 (7)	*
	Greg Foster.......................................	2,500	*
	Andrew Gellis.....................................	64,500(13)	*
	Richard Intrator..................................	105,000(14)	*
	David B. Keighley.................................	90,500.(15)	*
	All executive officers and directors as a group (25 persons)	5,007,381(16)	14.90

Statements as to securities beneficially owned by directors and by executive officers, or as to securities over which they exercise control or direction, are based upon information obtained from such directors and executive officers and from records available to the Company.

* less than 1%

(1) Includes number of shares owned at December 31, 2001 and common shares as to which each individual had at December 31, 2001 the right to acquire beneficial ownership through the exercise of options plus options that vested within 60 days of December 31, 2001 and shares issuable upon conversion of 5.75% Subordinated Notes due April 1, 2003.

(2) Based on dividing the Number of Shares by the total shares outstanding as of December 31, 2001 adjusted for shares issuable upon conversion of 5.75% Subordinated Notes due April 1, 2003 adjusted for shares issuable through the exercise of options to the Beneficial Owners.

(3) Based on information contained in a Schedule 13G/A dated February 14, 2002 filed by Wasserstein Management Partners LP, 1301 Avenue of the Americas, New York, New York and information provided directly to the Company by Wasserstein & Co. LP on March 12, 2002.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT (cont'd)

(4) Based on information contained in a Schedule 13G/A dated February 11, 2002 filed by Prudential Financial, Inc., 751 Broad Street, Newark, New Jersey and information contained in a Schedule 13G dated February 8, 2002 filed by Jennison Associates LLC, 466 Lexington Avenue, New York, New York.

(5) Included in the amount shown are 538,000 common shares as to which Mr. Gelfond had the right to acquire beneficial ownership through the exercise of options.

(6) Included in the amount shown are 538,000 common shares as to which Mr. Wechsler had the right to acquire beneficial ownership through the exercise of options.

(7) Included in the amount shown are 21,836 common shares as to which Messrs. Copland, King and Ziebold had the right to acquire beneficial ownership through the exercise of options.

(8) Included in the amount shown are 17,934 common shares as to which Mr. Eyton had the right to acquire beneficial ownership through the exercise of options.

(9) Included in the amount shown are 33,836 common shares as to which Messrs. Girvan and Utay had the right to acquire beneficial ownership through the exercise of options.

(10) Included in the amount shown are 11,902 common shares as to which Mr. Jones had the right to acquire beneficial ownership through the exercise of options.

(11) Included in the amount shown are 28,000 common shares as to which Mr. Koffler had the right to acquire beneficial ownership through the exercise of options.

(12) Included in the amount shown are 21,836 common shares as to which Mr. Reisman had the right to acquire beneficial ownership through the exercise of options and 28,029 common shares at to which Mr. Reisman had the right to acquire upon conversion of the 5.75% Subordinated Notes due April 1, 2003.

(13) Included in the amount shown are 64,500 common shares as to which Mr. Gellis had the right to acquire beneficial ownership through the exercise of options.

(14) Included in the amount shown are 100,000 common shares as to which Mr. Intrator had the right to acquire beneficial ownership through the exercise of options.

(15) Included in the amount shown are 80,500 common shares as to which Mr. Keighley had the right to acquire beneficial ownership through the exercise of options.

(16) Included in the amount shown are 1,712,081 common shares as to which all directors and executive officers as a group had the right to acquire beneficial ownership through the exercise of options and the conversion of the 5.75% Subordinated Notes due April 1, 2003.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT (cont'd)

SHAREHOLDERS' AGREEMENTS

IMAX Corporation (the "Corporation"), Wasserstein Perella Partners, L.P., Wasserstein Perella Offshore Partners, L.P., WPPN, Inc., and the Michael J. Biondi Voting Trust (collectively "WP"), and each of Messrs. Wechsler and Gelfond are parties to a Second Amended and Restated Shareholders Agreement (the "Shareholders Agreement") dated as of February 9, 1999, which amends and restates the previous amended and restated shareholders agreement among those parties dated June 16, 1994. The Shareholders Agreement includes, among other things, certain restrictions on transfers of common shares, take-along rights and come-along rights. If WP holds at least 35% of their original holdings and WP desires to transfer all of their securities in a transaction in which a majority of the shares of outstanding common stock are to be sold, then Messrs. Gelfond and Wechsler will be required to sell their securities on the same terms as WP sells its securities.

The Shareholders Agreement also contains provisions related to the composition of the Board of Directors and committees thereof. WP is entitled, but not required, to designate individuals to be nominated for election as directors as follows: so long as WP holds 3,685,759 or more common shares, it may designate six nominees, of whom three may be employees of WP and its affiliates (the "WP Employee Designees") and three shall be independent persons and resident Canadians. If WP holds less than 3,685,759 common shares, but 1,842,879 or more common shares, it may designate four nominees, of whom two may be WP Employee Designees and two shall be independent persons and resident Canadians. If WP holds less than 1,842,879 common shares but 921,439 or more common shares, it may designate two nominees, one of whom may be a WP Employee Designee and the other of whom shall be an independent person and shall be a resident Canadian. In addition to these provisions, each of Messrs. Wechsler and Gelfond is entitled to be a director of the Corporation so long as he is either a Co-Chief Executive Officer or is the Chief Executive Officer of the Corporation or Messrs. Wechsler and Gelfond own more than 375,000 common shares. In addition, Messrs. Wechsler and Gelfond are collectively entitled, but not required, to designate individuals to be nominated for election as directors as follows: so long as they hold 1,628,000 or more common shares, they may designate three nominees, all of whom shall be independent persons and resident Canadians. If they hold less than 1,628,000 common shares, but 1,075,000 or more common shares, they may designate two nominees, both of whom shall be independent and resident Canadians. If they hold less than 1,075,000 common shares but 375,000 or more common shares, they may designate one nominee who shall be an independent person and resident Canadian. If the requirement that the Corporation have `resident Canadian' directors is changed, then neither WP nor Messrs. Wechsler and Gelfond will be required to designate resident Canadian nominees.

The Shareholders Agreement also provides that the Corporation, WP and each of Messrs. Wechsler and Gelfond shall use their best efforts to cause the Corporation to establish a nominating committee of the Board of Directors consisting of two directors, one designated by WP and the other designated by Messrs. Wechsler and Gelfond. In addition, WP has the right, subject to the approval of Messrs. Wechsler and Gelfond, to designate a WP Employee Designee for appointment by the Board of Directors of the Corporation as the Non-Executive Chairman of the Board, as long as WP holds at least 2,948,607 common shares. W. Townsend Ziebold has been approved as such designee. If Mr. Ziebold no longer holds that position, then WP is to propose three replacements and Messrs. Wechsler and Gelfond shall select one of those proposed for appointment by the Board as the Non-Executive Chairman. Each of Messrs. Wechsler and Gelfond is entitled to be appointed as a Co-Chairman or Chairman of the Corporation as long as he is a Co-Chief Executive Officer or the Chief Executive Officer of the Corporation. The Agreement provides that the duties of the Non-Executive Chairman and the Co-Chief Executive Officers shall be as set forth in the Bylaws, including the requirement that the following actions be approved by the Non-Executive Chairman and at least one of the Co-Chief Executive Officers: setting the dates and times of meetings of the directors and shareholders (other than normal quarterly Board of Directors, and annual shareholders' meetings), setting the agenda of such meetings, and appointing members of committees of the Board of Directors other than persons designated by WP and Messrs. Wechsler and Gelfond as provided in the Shareholders' Agreement. Each of WP and Messrs. Wechsler and Gelfond have the right to designate one director to serve on each committee of the Board of Directors of the Corporation, provided that each such person meets applicable regulatory requirements.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT (cont'd)

SHAREHOLDERS' AGREEMENTS (cont'd)

Each of WP and Messrs. Wechsler and Gelfond agreed to use their best efforts to cause there no longer to be CEO Advisors as of the date upon which all of the WP Employee Designees are elected as directors of the Corporation. All of the WP Employee Designees were elected as directors at the Corporation's annual and special meeting of shareholders held June 7, 1999 and the CEO Advisors were disbanded in June, 1999.

REGISTRATION RIGHTS AGREEMENT

The Corporation, WP and Messrs. Wechsler and Gelfond also entered into a registration rights agreement (the "Registration Rights Agreement") dated as of February 9, 1999, which carried forward the corresponding provisions of the June 16, 1994 shareholders agreement, and pursuant to which each of WP and Messrs. Wechsler and Gelfond have certain rights to cause the Corporation to use its best efforts to register their securities under the U.S. Securities Act of 1933. WP is entitled to effect up to four demand registrations and Messrs. Wechsler and Gelfond are entitled to make two such demand registrations. WP and Messrs. Wechsler and Gelfond also have unlimited piggy-back rights to register their securities under the Registration Rights Agreement whenever the Corporation proposes to register any securities under the U.S. Securities Act, other than the registration of securities pursuant to an initial public offering or the registration of securities upon Form S-4 or S-8 under the U.S. Securities Act or filed in connection with an exchange offer or an offering of securities solely to the Corporation's existing shareholders. In addition to these provisions, if Messrs. Wechsler and Gelfond hold at least 25% of their original holdings, WP has recouped its original investment plus a 30% compounded annual return on such investment, and WP initiates the sale of the Corporation, then for 60 days thereafter, WP will enter into exclusive negotiations with Messrs. Gelfond and Wechsler, and for another 60 days thereafter WP may not enter into an agreement for the sale of the Corporation to a third party. The Registration Rights Agreement also provides that Messrs. Wechsler and Gelfond will have the right from March 1 to March 31 in any, but only one, of 1999, 2000 and 2001, to notify the Corporation of their decision to require the Corporation to take action to liquidate their common shares. The Corporation is required to use its best efforts to cause at its option either (i) the sale of the Corporation within a period of 180 days from receipt of the notice to liquidate, (ii) the filing of a registration statement pursuant to the U.S. Securities Act within a period of 120 days from its receipt of the notice to liquidate, or (iii) purchase the securities owned by Messrs. Gelfond and Wechsler for cash at the fair market value as agreed upon by the Corporation and Messrs. Gelfond and Wechsler within 20 days of the notice to liquidate, or in the event of their failure to reach an agreement, as determined by a procedure utilizing nationally recognized investment banking firms. In the event that Messrs. Gelfond and Wechsler exercise their rights to require the Corporation to take such action, they may be entitled to certain cash bonus payments as described in the Proxy Statement under "Executive Compensation - Employment Contracts".

The former shareholders of the Corporation have substantially similar piggyback registration rights that commenced on March 1, 1996 pursuant to the terms of the Selling Shareholders' Agreement (as defined below).

WP, Messrs. Gelfond and Wechsler, and the former shareholders of Predecessor IMAX have entered into another shareholders' agreement (the "Selling Shareholders' Agreement") which includes, among other things, registration rights, tag along rights and drag along rights.

STANDSTILL AGREEMENT

See Standstill Agreement in Item 13.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

STANDSTILL AGREEMENT

On July 9, 2001 pursuant to Section 3(c)(iv) of the Second Amended and Restated Shareholders' Agreement dated as of February 9, 1999 entered into by and among Wasserstein Perella Partners, L.P., Wasserstein Perella Offshore Partners, L.P., WPPN, Inc., and the Michael J. Biondi Voting Trust (the preceeding entities together, "WP"), IMAX Corporation (the "Corporation"), Richard L. Gelfond and Bradley J. Wechsler (the "Shareholders Agreement"), the Corporation and each of Messrs. Gelfond and Wechsler entered into a Standstill Agreement (the "GW Standstill Agreement"). Under the terms of the GW Standstill Agreement, each of Messrs. Gelfond and Wechsler agreed to vote in any election for directors in favour of each person nominated by the then current Board of Directors, not to participate in or facilitate proxy contests, not to deposit into a voting trust or subject voting securities to an agreement with respect to voting such securities, not to acquire or affect or attempt to acquire or affect control of the Corporation or to participate in a "group" as defined pursuant to Section 13(d) of the U.S. Securities Exchange Act of 1934, which owns or seeks to acquire beneficial ownership or control of the Corporation, and not to attempt to influence the Corporation except through normal Board of Directors' processes; provided, however, that the GW Standstill Agreement does not prevent either of Messrs. Gelfond and Wechsler from taking any action in his capacity as an officer or employee of the Corporation or any of its subsidiaries, including as Co-Chief Executive Officer or Co-Chairman of the Corporation. As a result of entering into the GW Standstill Agreement, in the event of the resignation, death, disqualification under the Canada Business Corporations Act or the removal or expiration of the term of any director designated by Messrs. Gelfond and Wechsler pursuant to the Shareholders Agreement, Messrs. Gelfond and Wechsler shall have the right to designate a replacement for such director pursuant to the terms of the Shareholders Agreement, and WP shall use its best efforts to cause each such designated director to be elected or appointed as a director of the Corporation. The GW Standstill Agreement expires on July 8, 2002, and provides that Messrs. Gelfond and Wechsler may, from time to time, extend the term of the GW Standstill Agreement for additional one year terms thereafter (but in no event beyond March 1, 2004).

The Articles of the Corporation set forth the requirement that certain matters be approved by 75% of the directors then in office. These matters are: (i) hiring or terminating the employment of the Chief Executive Officer or any Co-Chief Executive Officer of the Corporation; (ii) issuing any shares of capital stock for a purchase price, or incurring indebtedness, in an amount of $25.0 million or more; (iii) disposing of any material single asset, or all or substantially all of the assets of the Corporation or approving the sale or merger of the Corporation; (iv) acquiring a substantial interest in any other entity or entering into any major strategic alliance; and (v) entering into or changing the terms of any agreement or transaction with WP or Messrs. Wechsler and Gelfond (other than agreements in the ordinary course of business, such as employment agreements).

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a)(1) FINANCIAL STATEMENTS

The consolidated financial statements filed as part of this Report are 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, 2001

II. Valuation and Qualifying Accounts

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K (cont'd)

(A)(3) EXHIBITS

The Items listed as Exhibits 10.1 to 10.12 relate to management contracts or compensatory plans or arrangements.

EXHIBIT NO.	DESCRIPTION
*3.1	Articles of Amalgamation of IMAX Corporation, dated January 1, 2002.
3.2	New By-Law No.1 of IMAX Corporation enacted on June 7, 1999. Incorporated by reference to Exhibit 3.2 to Form 10-Q for the quarter ended September 30, 1999.
4.1	Share Option Agreement, dated as of March 1, 1994, between WGIM Acquisition Corporation and Douglas Trumbull. Incorporated by reference to Exhibit 4.1 to Form 10-K for the year ended December 31, 2000.
4.2	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 reference to Exhibit 4.2 to Form 10-K for the year ended December 31, 2000.
4.3	Amendment, dated as of March 1, 1994, to the Selling Shareholders' Agreement. Incorporated by reference to Exhibit 4.3 to Form 10-K for the year ended December 31, 2000.
4.4	Amended and Restated Shareholders Agreement, dated as of February 9, 1999 by and among 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 and IMAX Corporation. Incorporated by reference to Exhibit 4.10 to Form 10-K for the year ended December 31, 1998.
4.5	Standstill Agreement, dated as of July 9, 2001 by and among IMAX Corporation, Richard L. Gelfond and Bradley J. Wechsler. Incorporated by reference to Exhibit 4.9 to Form 10-Q for the period ended June 30, 2001.
4.6	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 reference to Exhibit 4.12 to Form 10-K for the year ended December 31, 1998.
4.7	Indenture, dated as of April 9, 1996, between IMAX Corporation and Chemical Bank, as Trustee, related to the issue of the 5.75% Convertible Subordinated Notes due April 1, 2003. Incorporated by reference to Exhibit 4.3 to Amendment No.1 to the Company's Registration Statement on Form F-3 (File No.333-5212).
4.8	Indenture, dated as of December 4, 1998 between IMAX Corporation and U.S. Bank Trust, N.A., as Trustee, related to the issue of the 7.875% Senior Notes due December 1, 2005. Incorporated by reference to Exhibit 4.9 to Form 10-K for the year ended December 31, 1998.
10.1	Stock Option Plan of IMAX Corporation, dated June 7, 1999. Incorporated by reference to Exhibit 10.1 to Form 10-Q for the quarter ended September 30, 1999.
10.2	Employment Agreement, dated as of July 15, 1997 between David Keighley Productions 70MM Inc. and David B. Keighley. Incorporated by reference to Exhibit 10.7 to Form 10-K for the year ended December 31, 1997.
10.3	Employment Agreement, dated July 1, 1998 between IMAX Corporation and Bradley J. Wechsler. Incorporated by reference to Exhibit 10.2 to Form 10-Q for the quarter ended September 30, 1998.
10.4	Amended Employment Agreement, dated July 12, 2000 between IMAX Corporation and Bradley J. Wechsler. Incorporated by reference to Exhibit 10.10 to Form 10-Q for the quarter ended September 30, 2000.
10.5	Amended Employment Agreement, dated April 3, 2001 between IMAX Corporation and Bradley J. Wechsler. Incorporated by reference to Exhibit 10.15 to Form 10-Q for the quarter ended March 31, 2001.

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K (cont'd)

(A)(3) EXHIBITS (cont'd)

EXHIBIT NO.	DESCRIPTION
10.6	Employment Agreement, dated July 1, 1998 between IMAX Corporation and Richard L. Gelfond. Incorporated by reference to Exhibit 10.1 to Form 10-Q for the quarter ended September 30, 1998.
10.7	Amended Employment Agreement, dated July 12, 2000 between IMAX Corporation and Richard L. Gelfond. Incorporated by reference to Exhibit 10.9 to Form 10-Q for the quarter ended September 30, 2000.
10.8	Amended Employment Agreement, dated April 3, 2001 between IMAX Corporation and Richard L. Gelfond. Incorporated by reference to Exhibit 10.16 to Form 10-Q for the quarter ended March 31, 2001.
*10.9	Employment Agreement, dated March 9, 2001 between IMAX Corporation and Greg Foster.
10.10	Employment Agreement, dated October 8, 1998 between IMAX Corporation and Andrew Gellis. Incorporated by reference to Exhibit 10.6 to Form 10-K for the year ended December 31, 2000.
10.11	Amended Employment Agreement, dated August 17, 2000 between IMAX Corporation and Andrew Gellis. Incorporated by reference to Exhibit 10.11 to Form 10-K for the year ended December 31, 2000.
10.12	Employment Agreement, dated February 17, 2000 between IMAX Corporation and Richard Intrator. Incorporated by reference to Exhibit 10.12 to Form 10-K for the year ended December 31, 2000.
*21	Subsidiaries of IMAX Corporation.
*23	Consent of PricewaterhouseCoopers LLP.
*24	Power of Attorney of certain directors.

* Filed herewith

(b) REPORTS ON FORM 8-K

The Company filed a report on Form 8-K on October 25, 2001 under Item 5 - Other events. The Company reported the purchase of approximately $48.0 million in face value of the Company's 5.75% Subordinated Notes due April 1, 2003.

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/ FRANCIS T. JOYCE

Francis T. Joyce
Chief Financial Officer

Date: March 21, 2002

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 March 21, 2002.

/S/ BRADLEY J. WECHSLER Bradley J. Wechsler Director and Co-Chief Executive Officer (Principal Executive Officer)	/S/ RICHARD L. GELFOND Richard L. Gelfond Director and Co-Chief Executive Officer (Principal Executive Officer)	/S/ FRANCIS T. JOYCE Francis T. Joyce Chief Financial Officer (Principal Financial Officer)
/s/ KATHRYN A. GAMBLE Kathryn A. Gamble Vice President, Finance and Controller (Principal Accounting Officer)	KENNETH G. COPLAND* Kenneth G. Copland Director	J. TREVOR EYTON* J. Trevor Eyton Director
GARTH M. GIRVAN* Garth M. Girvan Director	ELLIS B. JONES* Ellis B. Jones Director	G. EDMUND KING* G. Edmund King Director
MURRAY B. KOFFLER* Murray B. Koffler Director	SAM REISMAN* Sam Reisman Director	MARC A. UTAY* Marc A. Utay Director
W. TOWNSEND ZIEBOLD* W. Townsend Ziebold Director		

By * /S/ FRANCIS T. JOYCE

Francis T. Joyce (as attorney-in-fact)

IMAX CORPORATION

SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS
(In thousands of U.S. dollars)

	BALANCE AT BEGINNING OF YEAR	ADDITIONS CHARGED TO EXPENSES	DEDUCTIONS(1)	BALANCE AT END OF YEAR
ALLOWANCE FOR NET INVESTMENT IN LEASES				
Year ended December 31, 1999(2)	$ 2,870	$ 45	$(2,613)	$ 302
Year ended December 31, 2000	302	6,511	--	6,813
Year ended December 31, 2001	6,813	11,257	(6,325)	11,745
ALLOWANCE FOR DOUBTFUL ACCOUNTS RECEIVABLE				
Year ended December 31, 1999(2)	$ 4,626	$ 949	$(1,081)	$ 4,494
Year ended December 31, 2000(2)	4,494	$15,870	(1,196)	19,168
Year ended December 31, 2001	19,168	4,469	(5,577)	18,060
DEFERRED INCOME TAX VALUATION ALLOWANCE				
Year ended December 31, 1999	$ 2,811	$ 116	$ --	$ 2,927
Year ended December 31, 2000	2,927	1,388	--	4,265
Year ended December 31, 2001	4,265	41,239	--	45,504
PROVISION FOR LOANS RECEIVABLE FROM DISCONTINUED OPERATIONS				
Year ended December 31, 1999	$ --	$ --	$ --	$ --
Year ended December 31, 2000	--	--	--	--
Year ended December 31, 2001	--	12,700	--	12,700

- ----------------

(1) Amounts represent write-offs of amounts previously charged to the provision.

(2) Revised from amounts reported in prior years to be consistent with current year's presentation.

IMAX CORPORATION
EXHIBIT 3.1
ARTICLES OF AMALGAMATION

[INDUSTRY CANADA LOGO] [INDUSTRIE CANADA LOGO]

Certificate of Amalgamation	Certificat de fusion
Canada Business Corporations Act	Loi canadienne sur les societes par actions
IMAX CORPORATION	399473-2
Name of Corporation - Denomination de la societe	Corporation number - Numero de la societe
I hereby certify that the above-named corporation resulted from an amalgamation, under section 185 of the Canada Business Corporations Act, of the corporations set out in the attached articles of amalgamation.	Je certifie que la societe susmentionnee est issue d'une fusion, en vertu de l'article 185 de la Loi canadienne sur les societes par actions, des societes dont les denominations apparaissent dans les statuts de fusion ci-joints.
[DIRECTOR'S SIGNATURE] Director - Directeur	JANUARY 1, 2002 / LE 1 JANVIER 2002 Date of Amalgamation - Date de fusion

[GOVERNMENT OF CANADA LOGO]

[INDUSTRY CANADA LOGO] [INDUSTRIE CANADA LOGO]

Canada Business Corporations Act	Loi canadienne sur les societes par actions	FORM 9 ARTICLES OF AMALGAMATION (SECTION 185)	FORMULE 9 STATUTS DE FUSION (ARTICLE 185)

1- Name of amalgamated corporation — Denomination de la societe issue de la

IMAX CORPORATION

---

2 - The place in Canada where the registered office is to be situated — Lieu au Canada ou doit etre situe le siege social

THE PROVINCE OF ONTARIO

---

3 - The classes and any maximum number of shares that the corporation is authorized to issue — Categories et tout nombre maximal d'actions que la societe est autorisee a emettre

THE ANNEXED SCHEDULE I IS INCORPORATED IN THIS FORM.

---

4 - Restrictions, if any, on share transfers — Restrictions sur le transfert des actions, s'il y a lieu

NONE

---

5 - Number (or minimum and maximum number) of directors — Nombre (ou nombre minimal et maximal) d'administrateurs

A MINIMUM OF 1 AND A MAXIMUM OF 15.

---

6 - Restrictions, if any, on business the corporation may carry on — Limites imposees a l'activite commerciale de la societe, s'il y a lieu

NONE

---

7 - Other provisions, if any — Autres dispositions, s'il y a lieu

THE ANNEXED SCHEDULE II IS INCORPORATED IN THIS FORM.

---

8 - The amalgamation has been approved pursuant to that section or subsection of the Act which is indicated as follows: — 8 - La fusion a ete approuvee en accord avec l'article ou le paragraphe de la Loi indique ci-apres

[ ] 183

[X] 184(1)

[ ] 184(2)

---

9 - Name of the amalgamating corporations Corporation No. Title Denomination des societes fusionnantes No de la societe Signature Date Titre

---

[1236627
ONTARIO
INC.
[STRUCK-
THROUGH]]
3886379
CANADA INC.
3886379
[SIGNATURE]
Dec. 21,
2001
Director -

IMAX
CORPORATION
3850412
[SIGNATURE]
Dec. 21,
2001
Secretary -

--------- -

- --

FOR DEPARTMENTAL USE ONLY - A L'USAGE DU MINISTERE SEULEMENT   FILED - DEPOSEE
CORPORATION NO. - NO DE LA SOCIETE

399473-2   January 9, 2002

- --

DSG 06/2001

SCHEDULE I

The Corporation is authorized to issue an unlimited number of Common Shares, an unlimited number of Class C Shares, issuable in two series, and an unlimited number of Special Shares, issuable in series. Schedule I-A attached hereto sets forth the rights, privileges, restrictions and conditions of such shares.

SCHEDULE I-A

1. DEFINITIONS

For the purposes of this Schedule I-A:

"Class C Issue Price" means Cdn. $100;

"Class C Shares" means the 7%, cumulative, redeemable, preferred, non-voting shares of the Corporation with the rights, privileges, restrictions and conditions set forth herein;

"Common Shares" means the common shares of the Corporation with the rights, privileges, restrictions and conditions set forth herein;

"Consolidated Interest Coverage Ratio" will have the meaning specified in the Indenture to be dated as of the Issue Date between the Trustee named therein and the Corporation;

"Initial Public Offering" means an initial public offering of Common Shares in the United States of America and/or Canada pursuant to the securities laws of the United States of America or any province of Canada;

"Issue Date" means the date of closing of the acquisition of Imax Corporation by WGIM Acquisition Corporation;

"Net Proceeds" means the amount received by the Corporation in cash, after the payment of all costs, expenses (including, without limitation, filing fees and legal fees and disbursements) and commissions related thereto, from an Initial Public Offering and from any subsequent public offering or other public distribution of Common Shares by the Corporation pursuant to a prospectus filed with the Securities and Exchange Commission in the United States of America or Canada; and

"Special Shares" means the special shares of the Corporation with the rights, privileges, restrictions and conditions set forth herein.

2. COMMON SHARES

The rights, privileges, restrictions and conditions attaching to the Common Shares are as follows:

(a) Payment of Dividends: The holders of the Common Shares shall be entitled to receive dividends if, as and when declared by the board of directors of the Corporation out of the assets of the Corporation properly applicable to the payment of dividends in such amounts and payable in such manner as the board of directors may from time to time determine. Subject to the rights of the holders of any other class of shares of the Corporation entitled to receive dividends in priority to or ratably with the holders of the Common Shares, the board of directors may in their sole discretion declare dividends on the Common Shares to the exclusion of any other class of shares of the Corporation.

(b) Participation upon Liquidation, Dissolution or Winding-Up: In the event of the liquidation, dissolution or winding-up of the Corporation or other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs, the holders of the Common Shares shall, subject to the rights of the holders of any other class of shares of the Corporation entitled to receive the assets of the Corporation upon such a distribution in priority to or ratably with the holders of the Common Shares, be entitled to participate ratably in any distribution of the assets of the Corporation.

(c) Voting Rights: The holders of the Common Shares shall be entitled to receive notice of and to attend all annual and special meetings of the shareholders of the Corporation and to one vote in respect of each common share held at all such meetings.

3. CLASS C SHARES

I. The rights, privileges, restrictions and conditions attaching to the Class C Shares as a class are as follows:

(a) Dividends and Other Distributions:

(i) The holders of the Class C Shares, subject to the rights of the holders of any class of shares entitled to receive dividends and any other distributions in priority to the holders of Class C Shares, but in priority to the holders of the Common Shares and all other shares ranking junior to the Class C Shares in respect of the payment of dividends, shall be entitled to receive and the Corporation shall, subject to the terms hereof, pay thereon, as and when declared by the board of directors of the Corporation out of the assets of the Corporation properly applicable to the payment of dividends, fixed preferential cumulative cash dividends at the rate of 7% per annum (or such higher rate as may apply pursuant to clause 3.I.(a)(iii) hereof) on the Class C Issue Price (the "Class C Cumulative Dividends") for each such share. Class C Cumulative Dividends shall be payable as provided in clause 3.I.(a)(ii) hereof and shall accrue and be cumulative from the Issue Date.

(ii) No Class C Cumulative Dividends shall be declared or paid prior to the third anniversary date of the Issue Date. Thereafter, on each subsequent anniversary date of the Issue Date, then

(A) provided that the Corporation has not, prior to such third or subsequent anniversary date, received Net Proceeds equal to or greater than Cdn. $35,000,000, there shall be declared and paid in cash Class C Cumulative Dividends, if both before and, on a pro forma basis, after giving effect to the payment of such Class C Cumulative Dividends, the Consolidated Interest Coverage Ratio of the Corporation does not exceed 2.25 to 1; and

(B) if the Corporation has received Net Proceeds equal to or greater than Cdn. $35,000,000 prior to such third or subsequent anniversary date of the Issue Date, one-half of the Class C Cumulative Dividends as have accrued prior to such third or subsequent anniversary date immediately preceding receipt of such Net Proceeds shall be paid in cash on each of the first and second anniversary dates of the Issue Date after such third or subsequent anniversary date, unless the aggregate amount of such payments to be paid in cash on such date would exceed Cdn. $2,000,000 in either such year, in which case one-third of such accrued Class C Cumulative Dividends shall be declared and paid in cash on each of the first, second and third anniversary dates of the Issue Date after such third or subsequent anniversary date.

(iii) If, on any anniversary date of the Issue Date after the third such anniversary date, the Class C Cumulative Dividends to be paid on such date are not paid in full in cash and such dividends were required to have been paid in full in cash pursuant to clause 3.I.(a)(ii), above, the rate at which Class C Cumulative Dividends shall accrue and be payable after such anniversary date as provided in clause 3.I.(a)(i) shall increase by 1% per annum, to a maximum dividend rate of 10% per annum, until such time as all Class C Cumulative Dividends have been paid in cash as provided herein, whereupon the dividend rate will revert to 7% per annum.

(iv) If, on any date on which Class C Cumulative Dividends are to be paid, the dividend payable on such date is not paid in full on all the Class C Shares then issued and outstanding, such dividend, or the unpaid part thereof, shall be paid at a subsequent date or dates in priority to dividends on the Common Shares and any other shares ranking junior to the Class C Shares in respect of the payment of dividends.

(v) Payment of dividends shall be made by cheque negotiable without charge at any branch of the Corporation's bankers for the time being in Canada. The mailing of such cheques to holders of Class C Shares shall satisfy and discharge all liability of the Corporation for such dividends to the extent of the sums represented thereby (plus any tax required to be deducted or withheld therefrom) unless such cheques are not paid on due presentation. A dividend which is represented by a cheque which has not been presented for payment within 6 years after it was issued or that otherwise remains unclaimed for a period of 6 years from the date on which the cheque was mailed shall be forfeited to the Corporation.

(vi) Subject to the terms hereof, the holders of Class C Shares shall not be entitled to any dividends or other distributions other than or in excess of the preferential cumulative cash dividends hereinbefore provided.

(b) Dividends Preferential: Except with the consent in writing of the holders of all the Class C Shares outstanding, no dividend or other distribution shall be declared and made or set apart for payment on the Common Shares or upon any other shares of the Corporation ranking junior to or on a parity with the Class C Shares as to dividends or upon liquidation, nor shall any Common Shares nor any other such shares of the Corporation ranking junior to or on a parity with the Class C Shares as to dividends or upon liquidation, be redeemed, purchased or otherwise acquired for any consideration (or any moneys be paid to or made available for a sinking fund of the redemption of any such shares) by the Corporation (except by conversion into or exchange for stock of the Corporation ranking junior to the Class C Shares as to dividends and as to liquidation) unless and until the accrued Class C Cumulative Dividends on all of the Class C Shares outstanding have been declared and paid.

(c) Participation upon Liquidation, Dissolution or Winding-Up: In the event of the liquidation, dissolution or winding-up of the Corporation or other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs, whether voluntary or involuntary, the holders of the Class C Shares shall be entitled to receive from the property and assets of the Corporation an amount equal to the aggregate Class C Redemption Amount (as hereinafter defined) of all Class C Shares held by them respectively before any distribution of any part of the property or assets of the Corporation to the holders of Common Shares or shares of any other class ranking junior to the Class C Shares in respect of such distribution. After payment to the holders of the Class C Shares of the Class C Redemption Amount, such holders shall not be entitled to share in any further distribution of the assets of the Corporation.

(d) Redemption by Corporation: The Corporation may at any time redeem the whole, or from time to time or times redeem any part of the then outstanding Class C Shares (any of the foregoing being an "Optional Redemption") and, on the date that is eight and one-half years after the Issue Date, shall redeem the whole of the then outstanding Class C Shares (such redemption on the date that is eight and one-half years after the Issue Date being a "Mandatory Redemption") on payment for each Class C Share to be redeemed of the Class C Issue Price, plus all unpaid Class C Cumulative Dividends which shall have accrued thereon and which shall be treated as accruing to, but not including, the date of such redemption, the whole constituting and being herein referred to as the "Class C Redemption Amount". Provided that if the Corporation is not permitted, at the date set for the Mandatory Redemption, by virtue of applicable law, to redeem all of the Class C Shares then to be redeemed, it shall redeem, pro rata, such number of Class C Shares then called for redemption as it may then redeem. The Corporation may at any time undertake the Optional Redemption. If there is an Optional Redemption, and less than all the Class C Shares are to be redeemed, the Class C Shares to be redeemed in such Optional Redemption shall be a pro rata portion of the Class C Shares held by each holder on the date of such Optional Redemption.

(e) Notice of Redemption: In respect of the redemption of Class C Shares pursuant to the provisions of clause 3.I.(d) hereof, the Corporation shall, at least 21 days (or, if all of the holders of Class C Shares consent, such shorter period to which they may consent) before the date specified for redemption, mail (or, with the consent of any particular holder, otherwise deliver) to each person who, at the date of mailing (or delivery, as the case may be) is a holder of Class C Shares to be redeemed a notice in writing of the intention of the Corporation to redeem such Class C Shares. Such notice shall (subject to the consent of any particular holder referred to above) be mailed by letter, postage prepaid, addressed to each such holder at his address as it appears on the records of the Corporation or, in the event of the address of any such holder not so appearing, then to the last known address of such holder; provided, however, that accidental failure to give any such notice to one or more of such holders shall not affect the validity of such redemption; but if such failure is discovered, notice as aforesaid shall be given forthwith to such holder or holders and shall have the same force and effect as if given in due time, provided that such notice shall not extend the date specified for such redemption. Such notice shall set out the number of Class C Shares held by the person to whom it is addressed which are to be redeemed; the aggregate Class C Redemption Amount to which such holder is entitled; the date on which redemption is to take place; and the place or places in Canada at which the holders of Class C Shares may present and surrender the certificates representing such shares for redemption.

(f) Payment of Class C Redemption Amount: On the date so specified for redemption, the Corporation shall pay or cause to be paid to or to the order of the holders of the Class C Shares to be redeemed the Class C Redemption Amount thereof on presentation and surrender at the registered office of the Corporation or any other place designated in such notice of the certificates representing the Class C Shares called for redemption. Such payment shall be made by cheque payable at par at any branch of the

Corporation's bankers in Canada. From and after the date specified for redemption in any such notice the holders of the Class C Shares called for redemption shall cease to be entitled to dividends and shall not be entitled to exercise any of the rights of holders of Class C Shares in respect thereof unless payment of the Class C Redemption Amount is not made upon presentation of certificates in accordance with the foregoing provisions, in which case the rights of the holders of the said Class C Shares shall remain unaffected. The Corporation shall have the right at any time after the mailing (or delivery, as the case may be) of notice of its intention to redeem any Class C Shares to deposit the Class C Redemption Amount of the shares so called for redemption to a special account in any chartered bank or in any trust company in Canada, named in such notice, to be paid without interest to or to the order of the respective holders of such Class C Shares called for redemption upon presentation and surrender to such bank or trust company of the certificates representing the same, and upon such deposit being made, the rights of the holders thereof after such deposit or such redemption date, whichever is the earlier, shall be limited to receiving without interest their proportionate part of the total Class C Redemption Amount so deposited against presentation and surrender of the said certificates held by them respectively, and any interest allowed on such deposit shall belong to the Corporation.

(g) Voting Rights: Except as otherwise provided by law, the holders of the Class C Shares shall not, as such, be entitled to receive notice of or to attend any meeting of shareholders of the Corporation and shall not be entitled to vote at any such meeting. Without limiting the generality of the foregoing, the holders of the Class C Shares shall not be entitled to vote separately as a class on any proposal to amend the Articles of the Corporation to:

(i) increase or decrease any maximum number of authorized Class C Shares, or increase any maximum number of authorized shares of a class having rights or privileges equal or superior to the Class C Shares; or

(ii) effect an exchange, reclassification or cancellation of all or part of the Class C Shares; or

(iii) create a new class of shares equal or superior to the Class C Shares.

(h) Series: the Class C Shares are issuable in two series, with an unlimited number of Class C Shares, Series 1, constituting the first series and an unlimited number of Class C Shares, Series 2, constituting the second series. Class C Shares, Series 2 shall only be issued as a result of the conversion of Class C Shares, Series 1 into Class C Shares, Series 2. Immediately prior to any such conversion, the directors shall by resolution fix (i) the number of Class C Shares, Series 2 to be issued as such number as shall equal the number of Class C Shares, Series 1 which are to be converted into Class C Shares, Series 2; and (ii) the number of votes which each Class C Shares, Series 2 shall have attached to it, which number shall be such number as the directors shall by resolution, in their discretion, determine, to a maximum number of votes for all of the Class C Shares, Series 2 to be issued upon the conversion of the Class C Shares, Series 1, which shall not exceed, in the aggregate, 35% of the votes attached to all voting shares of the Corporation which will be outstanding immediately following such conversion.

II. Class C Shares, Series 1

In addition to the rights, privileges, restrictions and conditions attaching to the Class C Shares as a class, the Class C Shares, Series 1 shall have the following rights, privileges, restrictions and conditions:

(a) Mandatory Conversion:

(i) Mandatory Conversion: All, but not less than all, of the Class C Shares, Series 1 of the Corporation may, on such date as may be determined by the directors of the Corporation by resolution in their sole discretion, be converted into the same number of Class C Shares, Series 2 as are outstanding on the date set for conversion on the basis of one Class C Share, Series 2 for each Class C Share, Series 1.

(ii) Directors to Fix Number, Votes: Prior to giving the notice of conversion provided for in clause 3.II.(a)(iii), the directors shall by resolution have fixed (i) the number of Class C Shares, Series 2 to be issued as set forth in clause 3.I.(h); and (ii) the number of votes which each Class C Share, Series 2 shall have attached to it, as set forth in clause 3.I.(h).

(iii) Notice of Conversion: In respect of the conversion of Class C Shares, Series 1 pursuant to the provisions of clause 3.II.(a)(i) hereof, the Corporation shall at least 21 days before the date specified for conversion mail or deliver to each person who at the date of mailing (or delivery, as the case may be) is a holder of Class C Shares, Series 1 to be converted a notice in writing of the intention of the Corporation to convert such Class C Shares, Series 1 into Class C Shares, Series 2. Such conversion shall take place on such date as is specified in the said notice, which date shall not be less than 21 days following the date of said notice. Effective on such date, the holder of the Class C Shares, Series 1 being converted shall be deemed to have become, and shall be registered as, the holder of the Class C Shares, Series 2 resulting from the conversion and shall cease to be registered as a holder of the Class C Shares, Series 1 converted. The Corporation shall specify in such notice the date on which the conversion is to occur, the number of Class C Shares, Series 1 held by the person to whom it is addressed to be converted, the number of Class C Shares, Series 2 to be issued upon such conversion, the date upon which the conversion will occur and that the holder of Class C Shares, Series 1 shall have become the registered holder of the Class C Shares, Series 2 resulting from the conversion on such date. Such notice shall be mailed by letter, postage prepaid, addressed to each such holder at his address as it appears on the records of the Corporation or in the event of the address of any such holder not so appearing then to the last known address of such holder; provided, however, that accidental failure to give any such notice to one or more of such holders shall not affect the validity of such conversion; but if such failure is discovered, notice as aforesaid shall be given forthwith to such holder or holders and shall have the same force and effect as if given in due time, provided that such notice shall not extend the date specified for such conversion.

III. Class C Shares, Series 2

In addition to the rights, privileges, restrictions and conditions attaching to the Class C Shares as a class, the Class C Shares, Series 2 shall have the following rights, privileges, restrictions and conditions:

(a) Voting Rights: The holders of the Class C Shares, Series 2 shall be entitled to receive notice of and to attend all annual and special meeting of the shareholders of the Corporation and to such number of votes for each Class C Share, Series 2, held by them as shall have been fixed by the directors by resolution prior to the issue of Class C Shares, Series 2, as set forth in clause 3.I.(h).

4. SPECIAL SHARES

The rights, privileges, restrictions and conditions attaching to the Special Shares are as follows:

(a) Series: The Special Shares may at any time or from time to time be issued in one or more series. The board of directors of the Corporation may from time to time before the issue thereof fix the number of shares in, and determine the designation, rights, privileges, restrictions and conditions attaching to the shares of, each series of Special Shares.

(b) Priority: The Special Shares shall be entitled to priority over the Class C Shares and the Common Shares and all other shares ranking junior to the Special Shares with respect to the payment of dividends and the distribution of assets of the Corporation in the event of any liquidation, dissolution or winding-up of the Corporation or other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs.

(c) Voting Rights: Except as otherwise provided by law, the holders of the Special Shares shall not, as such, be entitled to receive notice of or to attend any meeting of the shareholders of the Corporation and shall not be entitled to vote at any such meeting. Without limiting the generality of the foregoing, the holders of the Special Shares shall not be entitled to vote separately as a class on any proposal to amend the Articles of the Corporation to:

(i) increase or decrease any maximum number of authorized Special Shares, or increase any maximum number of authorized shares of a class having rights or privileges equal or superior to the Special Shares; or

(ii) effect an exchange, reclassification or cancellation of all or part of the Special Shares; or

(iii) create a new class of shares equal or superior to the Special Shares.

SCHEDULE II

1. The number of directors of the Corporation at any time shall be such number within the minimum and maximum number of directors set forth in the articles of the Corporation as is determined from time to time by resolution of the directors in light of the Corporation's contractual obligations in effect from time to time.

2. Subject to the Act and Corporation's contractual obligations then in effect, the directors may fill any vacancies among the directors, whether arising due to an increase in the number of directors within the minimum and maximum number of directors set forth in the articles of the Corporation or otherwise.

3. The directors shall be divided into three classes, with one-third of the directors to be elected for a term of one year, one-third for a term of two years and one-third for a term of three years, so that the term of office of one-third of the directors shall expire each year. At each election of directors after the effective date hereof to elect directors whose terms have expired, directors shall be elected for a term of three years. In any election or appointment of a director to fill a vacancy created by any director ceasing to hold office, the election or appointment shall be for the unexpired term of the director who has ceased to hold office. If the number of directors is changed, any increase or decrease shall be apportioned among the classes of directors in such a manner as will maintain or attain, to the extent possible, an equal number of directors in each class of directors. If such equality is not possible, the increase or decrease shall be apportioned among the classes of directors in such a manner that the difference in the number of directors in any two classes shall not exceed one.

4. If at any time or from time to time any single shareholder, together with each "affiliate" "controlled" by that shareholder (as such terms are defined in Rule 12b-2 under the Securities and Exchange Act of 1934 (United States) (the "Exchange Act") or any group of which they are members, "beneficially owns" (as such term is defined pursuant to Section 13(d) of the Exchange Act) not less than twelve and one-half per cent (12.5%) of the common shares issued and outstanding at that time, then for as long as that condition continues, in order for any resolution of the directors on any of the following matters to be approved by the directors, such resolution must be approved by a seventy-five per cent (75%) majority of the directors then in office:

a. Hiring or terminating the employment of the chief executive officer or any co-chief executive officer of the Corporation;

b. Issuing any shares of capital stock for a purchase price, or incurring indebtedness, in an amount of US$25 million or more;

c. Disposing of any material single asset, or all or substantially all of the assets of the Corporation or approving the sale or merger of the Corporation;

d. Acquiring a substantial interest in any other entity or entering into any major strategic alliance; and

e. Entering into or changing the terms of any agreement or transaction with Wasserstein Perella Partners, L.P., Wasserstein Perella Offshore Partners, L.P., WPPN Inc., Richard L. Gelfond or Bradley J. Wecheler (other than agreements in the ordinary course of business, such as employment agreements).

IMAX CORPORATION
EXHIBIT 10.9
EMPLOYMENT AGREEMENT

This Employment Agreement dated and effective as of March 9, 2001 (the "Agreement"), is made between

IMAX CORPORATION
a corporation organized
under the laws of Canada

(hereinafter referred to the "Company"; the Company and its subsidiaries and affiliates collectively referred to as "Imax")

OF THE FIRST PART

And

GREG FOSTER
of the City of Los Angeles in the
State of California
(hereinafter referred to as the "Employee")

OF THE SECOND PART

WHEREAS, the Company wishes to enter into this Agreement to engage the Employee to provide services to the Company, and the Employee wishes to be so engaged, pursuant to the terms and conditions hereinafter set forth;

AND WHEREAS the Employee is engaged to provide services to the Company as President, Filmed Entertainment,

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 Employee, and the Employee hereby agrees to serve, as President, Filmed Entertainment of the Company, upon the terms and conditions herein contained. The Employee agrees to serve the Company faithfully and to the best of his ability under the direction of the Co-CEO's of the Company. The Employee shall report to the Co-CEO's of the Company on all of his activities.

1.2 Exclusive Services. Except as may otherwise be approved in advance by the Co-CEO's, the Employee shall devote his full working time throughout the Employment Term (as defined in Section 1.3) to the services required of him hereunder. The Employee's primary responsibilities shall be the development, production and acquisition of films, film operations (e.g. administrative and business affairs) and such other duties commensurate with his position with the Company as are reasonably designated by the Co-CEO's of the Company. The Employee's main duties are expected to include, but shall not be limited to: (i) running and administering Filmed Entertainment in a manner consistent with the direction of the Co-CEO's (ii) helping to make available to IMAX certain Hollywood films for re-purposing into the IMAX format; and (iii) responsibility for film development and film production with such responsibilities discharged in a fashion (A) consistent with annual departmental and per film budgets, (B) in which all films receive a G or PG rating by the MPAA, (C) in which all films have running times of 60 minutes or less, and made specifically for IMAX and (D) in which all films are consistent with the IMAX Brand which stands for high quality family entertainment. The Employee 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 Employee's employment under this Agreement shall commence on March 19, 2001 (the "Commencement Date") and shall terminate on the earlier of (i) the second anniversary of the Commencement Date, or (ii) termination of the Employee'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 Employee'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 Employee will, subject to work-related travel but no permanent or semi-permanent relocation without mutual agreement, principally work at the Company's offices in Los Angeles and, as requested or as required by circumstance, at the offices of the Company in Missisisauga, Canada and New York. The Employee 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 Employee, subject to the direction of the Co-CEO's of the Company.

1.5 Reimbursement of Expenses. The Company shall reimburse the Employee for reasonable travel and other business expenses incurred by him in the fulfilment of his duties hereunder in accordance with Company practices consistently applied.

1.6 Initial Part-Time Engagement. Commencing on February 26, 2001 and ending on the Commencement Date (the "Part-Time Period"), the Employee shall devote one-half (1/2) of his full working time to the services and responsibilities enumerated in Section 1.2 above. During the Part-Time Period, the Employee shall be paid at a rate equal to fifty percent (50%) of the Base Salary, on a pro-rata basis, paid no less frequently than monthly in accordance with the Company's payroll practices. The Employee shall be entitled to no other benefits during the Part-Time Period and none of the provisions of this Agreement shall be operative during the Part-Time Period except that the Employee expressly agrees that the restrictive covenants contained in Article 7 of this Agreement shall be in full force and effect during the Part-Time Period and thereafter pursuant to their terms. Upon the Commencement Date, all other benefits under this Agreement and all other provisions hereunder shall become fully operative.

2. COMPENSATION

2.1 Base Salary. During his employment under this Agreement, the Employee shall be paid an annual base salary ("Base Salary") of no less than US$ 350,000 subject to annual review. Effective on the first anniversary of the Commencement Date, the Employee's Base Salary shall be increased to US$375,000. The Employee 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 Employee shall be entitled to participate in the management bonus plan of the Company which applies to senior executives of the Company. The Employee will be eligible, subject to the terms of the plan, to receive a bonus (the "Management Bonus") of up to 100% of the Base Salary for the applicable year, which is normally paid in February of each year. Notwithstanding the foregoing, the Employee shall receive a minimum bonus (the "Minimum Bonus") as follows: US$150,000 for the first year of the Employment Term and US$175,000 for the second year of the Employment Term. The Employee acknowledges that the said bonus plan (though not the Minimum Bonus) may be changed from time to time by the Company without notice to or any requirement to obtain the consent of the Employee and without the Employee 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 Employee will be given notice of the changes in the same manner as are other Employees of the Company of the Employee's stature.

2.3 Signing Bonus. The Employee shall be paid a signing bonus of $25,000 (the "Signing Bonus") as soon as practicable after the execution of this Agreement. One-twelvth (1/12) of the Signing Bonus shall vest at the end of each succeeding month following execution of this Agreement. If the Employee resigns or is terminated for Cause prior to the first anniversary of the execution of this Agreement, he shall return the then-unvested portion of the Signing Bonus to the Company.

2.4.1 Stock Options. The Employee shall be granted non-qualified options (the "Options") to purchase 150,000 shares of common stock of Imax Corporation (the "Common Shares"), subject to approval by the Company's Board of Directors and based upon the following schedule: (i) 75,000 Options shall be granted as soon as practicable after the Commencement

Date at an exercise price per Common Share equal to the Fair Market Value on that date, as defined in Imax Corporation's Stock Option Plan (the "Option Plan"); and (ii) 75,000 Options shall be granted on the date which is the first anniversary of the Commencement Date at an exercise price per Common Share equal to the Fair Market Value on that date, as defined in the Option Plan. One hundred percent (100%) of the Options shall vest and become exercisable on the first anniversary date of the grant date. The Options granted hereunder shall be subject to the terms and conditions of the Option Plan and the stock option agreement (the "Option Agreement") to be entered into between the Company and the Employee as of the Commencement Date pursuant to, and in accordance with, the terms of the Option Plan. A copy of the Option Agreement is contained in Schedule B (attached hereto).

2.4.2 Notwithstanding anything provided herein (or in the Option Plan) to the contrary, all of the Employee's Options, together with any additional options granted to the Employee under the Option Plan, including those which are not yet exercisable, shall become immediately exercisable in the event of both of (a) a change of control of the Company (a "Change of Control") (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 of indirect acquisition or as a result of a merger, reorganization or sale of substantially all of the assets of Imax Corporation) 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 Employee's termination from the Company Without Cause; (iii) the diminution of the Employee's title and/or responsibilities; (iv) the Employee is asked to relocate more than twenty-five (25) miles from his existing Los Angeles offices; or (v) any other material breach of this Agreement. The Options shall in all other respects be governed pursuant to, and in accordance with, the terms of the Option Plan.

3. EMPLOYEE BENEFITS

3.1 General. The Employee shall, during the Employment Term, receive Employee benefits including vacation time, medical benefits, disability and life insurance, all at least consistent with those established by the Company for its other key Employees at a level commensurate with that of the Employee. Without limitation, however, the Employee shall be entitled to the following benefits:

(i) four (4) weeks' paid vacation in each year of the Employment Term;
(ii) car allowance of $850 per month; and
(iii) standard medical benefits available to US employees of the Company.

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 Employee's employment is terminated (i) Base Salary, (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 Employee participates or pursuant to any policies of the Company applicable to the Employee; and (iv) any outstanding vacation pay calculated up to and including such date.

(b) "Without Cause" means termination of the Employee's employment by the Company other than for Cause (as defined in Section 4.3), 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, after the Commencement Date and prior to the expiration of the Employment Term, the Employee'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 Employee the Base Salary and Minimum Bonus for the remainder of the Employment Term (such period being referred to hereinafter as the "Severance Period"), and in no event for less than six (6) months, either at such intervals as the same would have been paid had the Employee remained in the active service of the Company, or, at the option of the Company, by immediate payment to the Employee of the remaining Base Salary and Minimum Bonus which would be payable during the Severance Period. Upon such termination (if after the Commencement Date and prior to the expiration of the Employment Term), the Employee 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 Employee agrees that the Company may deduct from any payment of Base Salary and Minimum Bonus to be made during the Severance Period the benefit plan contributions which are to be made by the Employee during the Severance Period in accordance with the terms of all benefit plans for the minimum period prescribed by law. The Employee 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 employee benefit plans or programs of the Company or as required by applicable law. Payment of Base Salary and Minimum Bonus and the continuation of the aforementioned Employee benefits during the Severance Period as outlined above shall be deemed to include all termination and severance pay to which the Employee 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 Employee 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 Employee 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 Employee breaches his obligations under Article 7 of this Agreement, the Company may, upon written notice to the Employee, 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 Employee's employment may be terminated by the Company immediately upon notice for Cause. If, prior to the expiration of the Employment Term, the Employee's employment is terminated by the Company for Cause, or the Employee resigns from his employment hereunder, the Employee shall only be paid, within 15 days of the date of such termination or resignation, the Termination Payment then due to be paid. The Employee 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 Employee 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 Employee, which notice shall set forth the basis for the termination. The date of resignation shall be thirty (30) days following the date or receipt of notice of resignation from the Employee to the Company.

4.3 Cause. Termination for "Cause" shall mean termination of the Employee's employment because of:

(i) the cessation of the Employee's ability to work legally in the United States other than for reasons not within the Employee's reasonable control;

(ii) any act or omission that constitutes a material breach by the Employee of any of his obligations under this Agreement; provided, however, that if such act or omission is related to the Employee's performance of his duties within the scope of his employment, then he shall have thirty (30) days after written notice is provided to Employee of such material breach, to cure such breach;

(iii) the continued failure or refusal of the Employee to perform the duties reasonably required of him as President, Filmed Entertainment which is not cured within thirty (30) days after written notice is provided to Employee of such failure or refusal;

(iv) any material violation by the Employee of any United States federal, 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 Employee's conviction of a felony or commission of an indictable offense for which he is not pardoned, or any perpetration by the Employee of a common law fraud;

(v) any other action by the Employee 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 United States federal, 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.

5. DEATH OR DISABILITY

In the event of termination of employment by reason of death or Permanent Disability (as hereinafter defined), the Employee (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 Employee and the entitlement of the Employee 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 Employee that prevents the normal performance of substantially all his duties under this Agreement as an Employee 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 7.2, the Employee 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 if and when the Employee does obtain other employment or remunerative activity (subject to Section 7.2), then any Base Pay and Minimum Bonus payable under Section 4.1.1. upon the date he begins such other employment or remunerative activity will be reduced by fifty percent (50%) for the remainder of the Severance Period. The Employee 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 Employee is employed by the Company or receiving payment hereunder and continuing for two years thereafter, notwithstanding whether the Employee's employment is terminated with or Without Cause or whether the Employee resigns, the Employee shall not, without the prior written consent of the Company and Imax, directly or indirectly, for the Employee'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, employee, 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 Employee had dealings during his employment with the Company. The Employee 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 For so long as the Employee 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 Employee with the Company, notwithstanding whether the Employee's employment is terminated with or without Cause or whether the Employee resigns, the Employee 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, employee, associate, consultant, principal or agent of any person, partnership, corporation or other business organization or entity other than Imax: (x) 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, at the time of termination of Employee's employment, reasonably anticipated to become a supplier, customer or client) of the Company and/or Imax and with whom the Employee had dealings during his employment with the Company; or (y) render any service to or in any way be affiliated with a Competitor of Imax. A "Competitor" of Imax shall be defined for these purposes as any person or entity which is either: (i) primarily engaged or reasonably anticipated to become primarily engaged in the Business, or (ii) engaged in, or reasonably anticipated to become engaged in the Business, though not primarily, - but then only if the Employee would be directly and materially involved in the Business. "Business" shall be defined for these purposes as designing or supplying large format theatres, designing or distributing projection or sound systems for large format theatres, designing or supplying motion simulation attractions, producing, developing, making, formatting, re-formatting or distributing films for large format theatres or motion simulation attractions or designing, supplying, marketing, manufacturing or otherwise offering for sale or purchase image capture, post capture image processing or projection display systems, including but not limited to, in connection with the "electronic cinema" projector or "digital cinema" projector business. The Employee confirms that all restrictions in this Section are reasonable and valid and waives all defences to the strict enforcement thereof.

7.3 Confidentiality. The Employee 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 Employee in violation of his agreements under this Section 7.3, or (ii) the Employee 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 Employee confirms that all restrictions in this Section are reasonable and valid and waives all defences to the strict enforcement thereof.

7.4 Grant of Rights. The Employee hereby: (i) grants to the Company all copyrights, patent rights and other rights in all work furnished or created by the Employee pursuant to this Agreement; (ii) agrees to sign all documents which may be required to confirm the Company's absolute ownership of such work; and (iii) waives the moral rights associated with such work. Without limiting the generality of the foregoing, all rights of whatsoever nature and kind (nor or hereafter known) in any and al film projects developed or contributed by the Employee pursuant to this Agreement shall be, from the inception of the creation thereof, the exclusive property of the Company and for the purposes of the United States Copyright Act shall be deemed to constitute "works made for hire."

7.5 Exclusive Property. The Employee confirms that all confidential information is and shall remain the exclusive property of Imax. All business records, papers and documents, other than the Employee's personal files and a copy of his Rolodex, regardless of the form of their records kept or made by Employee relating to the business of Imax shall be and remain the property of Imax, and shall be promptly returned by the Employee to Imax upon any termination of employment.

7.6 Injunctive Relief. Without intending to limit the remedies available to Imax, the Employee 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 Employee 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. 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.

7.7 Representation. The Employee 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. MISCELLANEOUS

8.1 Notices. All notices or communications hereunder shall be in writing, addressed as follows:

To the Company: Imax Corporation
2525 Speakman Drive
Mississauga, Ontario
L5K 1B1

Telecopier No: (905) 403-6468
Attention: Legal Department

To the Employee:

Mr. Greg Foster
228 North Layton Drive
Los Angeles, California 00049

With a copy to:

Mr. Tom Hanson
400 North Roxbury
Los Angeles, California

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 Employee 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 Employee in the event of any assignment, but neither this Agreement nor any rights hereunder shall be assignable or otherwise subject to hypothecation by the Employee. The Employee 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 Employee; provided, 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 Employee. 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 Employee 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 Employee have duly executed and delivered this Agreement as of the 9th day of March, 2001.

IMAX CORPORATION:

By: "G. Mary Ruby"

Name: G. Mary Ruby
Title: Senior Vice President, Legal Affairs & Corporate Secretary

By: "Mary C. Sullivan"

Name: Mary C. Sullivan
Title: Senior Vice President Human Resources & Administration

SIGNED, SEALED AND DELIVERED in the presence of:	EMPLOYEE:
"Cecilia Ceja"	"Greg Foster"
Witness	Greg Foster

IMAX CORPORATION
EXHIBIT 21
SUBSIDIARIES OF IMAX CORPORATION

Significant and other major subsidiary companies of the Registrant, as at December 31, 2001, comprise of the following:

NAME OF SUBSIDIARY	JURISDICTION OF ORGANIZATION	PERCENTAGE HELD BY REGISTRANT
David Keighley Productions 70MM Inc.	Delaware	100%
IMAX II U.S.A. Inc.	Delaware	100%
IMAX Entertainment Pte. Ltd.	Singapore	100%
IMAX Forum Ride, Inc.	Delaware	100%
IMAX Japan Inc.	Japan	100%
IMAX Minnesota Holding Co.	Delaware	100%
IMAX (Netherlands) B.V.	Netherlands	100%
IMAX Rhode Island Limited Partnership	Rhode Island	100%
IMAX Sandde Animation Inc.	Ontario	100%
IMAX Scribe Inc.	Delaware	100%
IMAX Space Ltd.	Ontario	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%
Miami Theatre LLC	Delaware	100%
Mitey Cinema Inc.	Ontario	100%
Mountainview Theatre Management Ltd.	Alberta	100%
Nyack Theatre LLC	Delaware	100%
Ridefilm Corporation	Delaware	100%
Sacramento Theatre LLC	Delaware	100%
Sonics Associates, Inc.	Alabama	100%
Starboard Theatres Ltd.	Canada	100%
Wire Frame Films Ltd.	Ontario	100%

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-2076; No. 333-5720; No. 333-85815; No. 333-30956; No. 333-30970; No. 333-44412) and the Post-Effective Amendment No. 1 to Form S-8 (No. 333-5720) of IMAX Corporation of our report dated February 25, 2002 and signing our consent on March 22, 2002 relating to the consolidated financial statements and financial statement schedule of Imax Corporation, which appears in this Annual Report on Form 10-K.

/s/ PricewaterhouseCoopers LLP
Chartered Accountants
Toronto, Canada
March 22, 2002

IMAX CORPORATION
EXHIBIT 24
POWER OF ATTORNEY

Each of the persons whose signature appears below hereby constitutes and appoints Francis T. Joyce 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 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 U.S. 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 of desirable to be done in connection therewith as fully and to all intent and purposes as such directors of the Corporation might or could do in person.

Dated this 21st day of March, 2002

Signature	Title
"Richard L. Gelfond" Richard L. Gelfond	Co-Chairman and Co-Chief Executive Officer (Principal Executive Officer)
"Bradley J. Wechsler" Bradley J. Wechsler	Co-Chairman and Co-Chief Executive Officer (Principal Executive Officer)
"Kenneth G. Copland" Kenneth G. Copland	Director
"J. Trevor Eyton" J. Trevor Eyton	Director
"Garth M. Girvan" Garth M. Girvan	Director
"Ellis B. Jones" Ellis B. Jones	Director

Signature	Title
"G. Edmund King" G. Edmund King	Director
"Murray B. Koffler" Murray B. Koffler	Director
"Sam Reisman" Sam Reisman	Director
"Marc A. Utay" Marc A. Utay	Director
"W. Townsend Ziebold" W. Townsend Ziebold	Non-Executive Chairman of the Board and Director
"Francis T. Joyce" Francis T. Joyce	Chief Financial Officer (Principal Financial Officer)
"Kathryn A. Gamble" Kathryn A. Gamble	Vice President, Finance and Controller (Principal Accounting Officer)