IMAX CORP
Form 10-Q
April 24, 2014
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Form 10-Q

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

For the quarterly period ended March 31, 2014

OR

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

Commission file Number 001-35066

IMAX Corporation

(Exact name of registrant as specified in its charter)

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

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

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

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

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

None

(Title of class)

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

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

Class	Outstanding as of March 31, 2014
Common stock, no par value	**67,957,167**

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SPECIAL NOTE REGARDING FORWARD-LOOKING INFORMATION

Certain statements included in this quarterly report may constitute forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, references to future capital expenditures (including the amount and nature thereof), business and technology strategies and measures to implement strategies, competitive strengths, goals, expansion and growth of business, operations and technology, plans and references to the future success of IMAX Corporation together with its wholly-owned subsidiaries (the Company) and expectations regarding the Company s future operating, financial and technological results. These forward-looking statements are based on certain assumptions and analyses made by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances. However, whether actual results and developments will conform with the expectations and predictions of the Company is subject to a number of risks and uncertainties, including, but not limited to, general economic, market or business conditions; the opportunities (or lack thereof) that may be presented to and pursued by the Company; the performance of IMAX DMR films; competitive actions by other companies; conditions in the in-home and out-of-home entertainment industries; the signing of theater system agreements; changes in laws or regulations; conditions, changes and developments in the commercial exhibition industry; risks associated with investments and operations in foreign jurisdictions and any future international expansion, including those related to economic, political and regulatory policies of local governments and laws and policies of the United States and Canada; risks related to the Company s growth and operations in China; the failure to respond to change and advancements in digital technology; the Company s largest customer accounting for a significant portion of the Company s revenue and backlog; risks related to new business initiatives; the potential impact of increased competition in the markets within which the Company operates; risks related to the Company s inability to protect the Company s intellectual property; risks related to the Company s implementation of an enterprise resource planning system; the failure to convert theater system backlog into revenue; risks related to the Company s dependence on a sole supplier for its analog film; and other factors, many of which are beyond the control of the Company. Consequently, all of the forward-looking statements made in this quarterly report are qualified by these cautionary statements, and actual results or anticipated developments by the Company may not be realized, and even if substantially realized, may not have the expected consequences to, or effects on, the Company. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking information, whether as a result of new information, future events or otherwise.

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

IMAX CORPORATION

PART I. FINANCIAL INFORMATION

Item 1. ***Financial Statements***

The following unaudited Condensed Consolidated Financial Statements are filed as part of this Report:	**Page**
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CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands of U.S. dollars)

(Unaudited)

	March 31, 2014	December 31, 2013
Assets		
Cash and cash equivalents	$ 29,692	$ 29,546
Accounts receivable, net of allowance for doubtful accounts of $838 (December 31, 2013 $887)	59,942	73,074
Financing receivables	103,752	107,110
Inventories	13,798	9,825
Prepaid expenses	4,641	3,602
Film assets	6,714	7,076
Property, plant and equipment	141,875	132,847
Other assets	27,173	27,034
Deferred income taxes	24,402	24,259
Other intangible assets	27,230	27,745
Goodwill	39,027	39,027
Total assets	$ **478,246**	$ **481,145**
Liabilities		
Accounts payable	$ 14,319	$ 19,396
Accrued and other liabilities	57,745	65,232
Deferred revenue	83,409	76,932
Total liabilities	**155,473**	**161,560**
Commitments and contingencies		
Shareholders equity		
Capital stock common shares no par value. Authorized unlimited number. Issued and outstanding 67,957,167 (December 31, 2013 67,841,233)	328,685	327,313
Other equity	38,216	36,452
Accumulated deficit	(42,472)	(43,051)
Accumulated other comprehensive loss	(1,656)	(1,129)
Total shareholders equity	**322,773**	**319,585**
Total liabilities and shareholders equity	$ **478,246**	$ **481,145**

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

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IMAX CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

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

(Unaudited)

	Three Months Ended March 31,	
	2014	**2013**
		(note 18)
Revenues		
Equipment and product sales	$ 6,354	$ 10,679
Services	28,872	26,656
Rentals	10,791	9,972
Finance income	2,180	1,984
Other		375
	48,197	49,666
Costs and expenses applicable to revenues		
Equipment and product sales	3,719	5,059
Services	14,350	14,964
Rentals	3,720	3,453
Other		
	21,789	23,476
Gross margin	26,408	26,190
Selling, general and administrative expenses (including share-based compensation expense of $3.2 million for the three months ended March 31, 2014 (2013 - $2.8 million))	21,312	19,661
Gain on curtailment of postretirement benefit plan		(2,185)
Research and development	3,599	3,634
Amortization of intangibles	402	364
Receivable provisions, net of recoveries	287	
Income from operations	808	4,716
Interest income	16	13
Interest expense	(266)	(345)
Income from operations before income taxes	558	4,384
Provision for income taxes	(72)	(1,203)
Loss from equity-accounted investments, net of tax	(262)	(220)

Net income from continuing operations		224		2,961
Net income (loss) from discontinued operations, net of tax		355		(100)
Net income	$	579	$	2,861
Net income per share - basic & diluted:				
Net income per share from continuing operations	$		$	0.04
Net income per share from discontinued operations		0.01		
	$	0.01	$	0.04

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

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CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands of U.S. dollars)

(Unaudited)

	Three Months Ended March 31,	
	2014	2013
Net income	$ 579	$ 2,861
Unrealized net loss from cash flow hedging instruments	(810)	(302)
Realization of cash flow hedging net loss (gain) upon settlement	248	(130)
Foreign currency translation adjustments	(146)	(348)
Gain on curtailment of postretirement benefit plan		398
Amortization of defined benefit plan actuarial loss		111
Other comprehensive loss, before tax:	(708)	(271)
Income tax recovery related to other comprehensive loss	181	68
Other comprehensive loss, net of tax	(527)	(203)
Comprehensive income	$ 52	$ 2,658

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

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of U.S. dollars)

(Unaudited)

	Three Months Ended March 31,	
	2014	**2013**
Cash provided by (used in):		
Operating Activities		
Net income	$ 579	$ 2,861
Net (income) loss from discontinued operations	(355)	100
Adjustments to reconcile net income to cash from operations:		
Depreciation and amortization	7,555	8,591
Write-downs, net of recoveries	518	
Change in deferred income taxes	(75)	904
Stock and other non-cash compensation	3,281	3,000
Gain on curtailment of postretirement benefit plan		(2,185)
Unrealized foreign currency exchange loss	646	189
Loss from equity-accounted investments	346	220
Investment in film assets	(1,888)	(3,866)
Changes in other non-cash operating assets and liabilities	2,755	(10,703)
Net cash provided by (used in) operating activities from discontinued operations	572	(100)
Net cash provided by (used in) operating activities	13,934	(989)
Investing Activities		
Purchase of property, plant and equipment	(7,927)	(3,315)
Investment in joint revenue sharing equipment	(5,506)	(8,717)
Acquisition of other intangible assets	(287)	(778)
Net cash used in investing activities	(13,720)	(12,810)
Financing Activities		
Common shares issued - stock options exercised	742	2,485
Settlement of restricted share units	(789)	
Increase in bank indebtedness		12,000
Repayment of bank indebtedness		(5,000)
Credit facility amendment fees paid		(1,881)
Net cash (used in) provided by financing activities	(47)	7,604
Effects of exchange rate changes on cash	(21)	17

Increase (decrease) in cash and cash equivalents during the period	146	(6,178)
Cash and cash equivalents, beginning of period	29,546	21,336
Cash and cash equivalents, end of period	$ 29,692	$ 15,158

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

IMAX CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

(Unaudited)

1. Basis of Presentation

IMAX Corporation, together with its wholly-owned subsidiaries (the Company), prepares its financial statements in accordance with United States Generally Accepted Accounting Principles (U.S. GAAP).

The condensed consolidated financial statements include the accounts of the Company together with its wholly-owned subsidiaries, except for subsidiaries which the Company has identified as variable interest entities (VIEs) where the Company is not the primary beneficiary. The nature of the Company s business is such that the results of operations for the interim periods presented are not necessarily indicative of results to be expected for the fiscal year. In the opinion of management, the information contained herein reflects all normal and recurring adjustments necessary to make the results of operations for the interim periods a fair statement of such operations.

The Company has evaluated its various variable interests to determine whether they are VIEs as required by the Consolidation Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC or Codification). The Company has 10 film production companies that are VIEs. For 3 of the Company s film production companies, the Company has determined that it is the primary beneficiary of these entities as the Company has the power to direct the activities of the respective VIE that most significantly impact the respective VIE s economic performance and has the obligation to absorb losses of the VIE that could potentially be significant to the respective VIE or the right to receive benefits from the respective VIE that could potentially be significant to the respective VIE. The Company continues to consolidate these entities, with no material impact on the operating results or financial condition of the Company, as these production companies have total assets of $0.4 million and total liabilities of $nil as at March 31, 2014 (December 31, 2013 assets and liabilities of $nil, respectively). For the other 7 film production companies which are VIEs, the Company did not consolidate these film entities since it does not have the power to direct activities and does not absorb the majority of the expected losses or expected residual returns. The Company equity accounts for these entities. As at March 31, 2014, these 7 VIEs have total assets of $5.3 million (December 31, 2013 $5.2 million) and total liabilities of $5.3 million (December 31, 2013 $5.2 million). Earnings of the investees included in the Company s condensed consolidated statement of operations amounted to $nil for the three months ended March 31, 2014 (2013 $nil). The carrying value of these investments in VIEs that are not consolidated is $nil at March 31, 2014 (December 31, 2013 $nil). A loss in value of an investment other than a temporary decline is recognized as a charge to the condensed consolidated statement of operations. The Company s exposure, which is determined based on the level of funding contributed by the Company and the development stage of the respective film, is $1.6 million at March 31, 2014 (December 31, 2013 $1.5 million).

The Company accounts for investments in new business ventures using the guidance of ASC 323 Investments Equity Method and Joint Ventures (ASC 323) or ASC 320 Investments in Debt and Equity Securities (ASC 320), as appropriate. At March 31, 2014, the equity method of accounting is being utilized for investments with a total carrying value of $1.4 million (December 31, 2013 $0.4 million). In 2013, the Company contributed $1.4 million, net of its share of costs, to a new business venture in the early-stage of start-up. In the first quarter of 2014, this new business venture was operational. The Company has determined it is not the primary beneficiary of these VIEs, and therefore these entities have not been consolidated. In addition, the Company has an investment in preferred stock of another

business venture with a total cost of $1.5 million which meets the criteria for classification as a debt security under ASC 320 and is recorded at a total fair value of $1.0 million at March 31, 2014 (December 31, 2013 $1.0 million). This investment is classified as an available-for-sale investment. The Company has invested $2.5 million in the preferred shares of an enterprise which meet the criteria for classification as an equity security under ASC 325 Investments Others (ASC 325) and accrued $0.5 million pertaining to warrants related to the respective investment (December 31, 2013 investment of $2.5 million and $0.5 million pertaining to warrants). The total carrying value of investments in new business ventures at March 31, 2014 and December 31, 2013, is $5.4 million and $5.8 million, respectively, and is recorded in Other Assets.

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

The year-end condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by U.S. GAAP.

These interim financial statements should be read in conjunction with the consolidated financial statements included in the Company s 2013 Annual Report on Form 10-K for the year ended December 31, 2013 (the 2013 Form 10-K) which should be consulted for a summary of the significant accounting policies utilized by the Company. These interim financial statements are prepared following accounting policies consistent with the Company s financial statements for the year ended December 31, 2013, except as noted below.

2. New Accounting Standards and Accounting Changes

The adoption of new accounting policies and recently issued FASB accounting standard codification updates were not material to the Company s condensed consolidated financial statements for the period ended March 31, 2014.

3. Financing Receivables

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

	March 31, 2014	December 31, 2013
Gross minimum lease payments receivable	$ 16,862	$ 17,475
Unearned finance income	(2,916)	(3,052)
Minimum lease payments receivable	13,946	14,423
Accumulated allowance for uncollectible amounts	(806)	(806)
Net investment in leases	13,140	13,617
Gross financed sales receivables	125,293	129,398
Unearned finance income	(34,193)	(35,669)
Financed sales receivables	91,100	93,729
Accumulated allowance for uncollectible amounts	(488)	(236)
Net financed sales receivables	90,612	93,493
Total financing receivables	$ 103,752	$ 107,110
Net financed sales receivables due within one year	$ 16,458	$ 17,335
Net financed sales receivables due after one year	$ 74,154	$ 76,158

As at March 31, 2014, the financed sale receivables had a weighted average effective interest rate of 10.0% (December 31, 2013 9.8%).

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4. Inventories

	March 31, 2014	December 31, 2013
Raw materials	$ 5,842	$ 4,321
Work-in-process	549	500
Finished goods	7,407	5,004
	$ 13,798	$ 9,825

At March 31, 2014, finished goods inventory for which title had passed to the customer and revenue was deferred amounted to $2.7 million (December 31, 2013 $1.7 million).

During the three months ended March 31, 2014, the Company had write-downs for excess and obsolete inventory based upon current estimates of net realizable value considering future events and conditions of less than $0.1 million (2013 $nil).

5. Property, Plant and Equipment

	As at March 31, 2014		
	Cost	Accumulated Depreciation	Net Book Value
Equipment leased or held for use			
Theater system components	$ 161,135	$ 54,471	$ 106,664
Camera equipment	4,591	2,821	1,770
	165,726	57,292	108,434
Assets under construction	11,140		11,140
Other property, plant and equipment			
Land	7,936		7,936
Buildings	15,948	10,552	5,396
Office and production equipment	27,865	19,534	8,331
Leasehold improvements	9,886	9,248	638
	61,635	39,334	22,301
	$ 238,501	$ 96,626	$ 141,875

	As at December 31, 2013		
		Accumulated	

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

6. Other Intangible Assets

	As at March 31, 2014		
	Cost	Accumulated Amortization	Net Book Value
Patents and trademarks	$ 9,037	$ 5,868	$ 3,169
Licenses and intellectual property	19,990	3,654	16,336
Other	8,752	1,027	7,725
	$ 37,779	$ 10,549	$ 27,230

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

Other intangible assets of $8.8 million are comprised mainly of the Company s investment in an enterprise resource planning system. Fully amortized other intangible assets are still in use by the Company.

During the three months ended March 31, 2014, the Company acquired $0.2 million in other intangible assets. The weighted average amortization period for these additions was 10 years.

During the three months ended March 31, 2014, the Company incurred costs of less than $0.1 million to renew or extend the term of acquired other intangible assets which were recorded in selling, general and administrative expenses (2013 less than $0.1 million).

As at March 31, 2014, estimated amortization expense for each of the years ended December 31, are as follows:

2014 (nine months remaining)	$ 2,181
2015	2,816
2016	2,632
2017	2,632
2018	2,632

7. Credit Facility

On February 7, 2013, the Company amended and restated the terms of its existing senior secured credit facility (the Prior Credit Facility). The amended and restated facility (the Credit Facility), with a scheduled maturity of February 7, 2018, has a maximum borrowing capacity of $200.0 million. The Prior Credit Facility had a maximum borrowing capacity of $110.0 million. Certain of the Company s subsidiaries serve as guarantors (the Guarantors) of the Company s obligations under the Credit Facility. The Credit Facility is collateralized by a first priority security interest in substantially all of the present and future assets of the Company and the Guarantors. On March 14, 2014, the Company amended the terms of the Credit Facility (Amendment No.1) to obtain the consent the lenders named therein to allow it to enter into certain corporate transactions, including the recent sale of a 20% interest in IMAX China (Holding), Inc. (IMAX China). See note 17 for additional information.

Under the Company s amended and restated facility (the Credit Facility), the effective interest rate for the three months ended March 31, 2014 for the revolving loan portion was nil as no amounts were outstanding during the period (2013 2.66%).

The Company was in compliance with all of the covenants under the Credit Facility at March 31, 2014.

Total amounts drawn and available under the Credit Facility at March 31, 2014 were $nil and $200.0 million, respectively (December 31, 2013 $nil and $200.0 million, respectively).

Wells Fargo Foreign Exchange Facility

Within the Credit Facility, the Company is able to purchase foreign currency forward contracts and/or other swap arrangements. The settlement risk on its foreign currency forward contracts was $1.0 million at March 31, 2014 as the notional value exceeded the fair value of the forward contracts. As at March 31, 2014, the Company has $29.8 million of such arrangements outstanding.

Bank of Montreal Facility

As at March 31, 2014, the Company has available a $10.0 million facility (December 31, 2013 $10.0 million) with the Bank of Montreal for use solely in conjunction with the issuance of performance guarantees and letters of credit fully insured by EDC (the Bank of Montreal Facility). As at March 31, 2014, the Company has letters of credit and advance payment guarantees outstanding of $0.3 million (December 31, 2013 $0.3 million) under the Bank of Montreal Facility.

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8. Contingencies and Guarantees

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

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

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

On May 15, 2006, the Company initiated arbitration against 3DMG before the International Centre for Dispute Resolution in New York (the ICDR), alleging breaches of the license and consulting agreements between the Company and 3DMG. On June 15, 2006, 3DMG filed an answer denying any breaches and asserting counterclaims that the Company breached the parties license agreement. On June 21, 2007, the ICDR unanimously denied 3DMG s Motion for Summary Judgment filed on April 11, 2007 concerning the Company s claims and 3DMG s counterclaims. The proceeding was suspended on May 4, 2009 due to failure of 3DMG to pay fees associated with the proceeding. The proceeding was further suspended on October 11, 2010 pending resolution of reexamination proceedings currently pending involving one of 3DMG s patents. The Company will continue to pursue its claims vigorously and believes that all allegations made by 3DMG are without merit. The Company further believes that the amount of loss, if any, suffered in connection with the counterclaims would not have a material impact on the financial position or results of operations of the Company, although no assurance can be given with respect to the ultimate outcome of the arbitration.

(b) In January 2004, the Company and IMAX Theatre Services Ltd., a subsidiary of the Company, commenced an arbitration seeking damages before the International Court of Arbitration of the International Chambers of Commerce (the ICC) with respect to the breach by Electronic Media Limited (EML) of its December 2000 agreement with the Company. In June 2004, the Company commenced a related arbitration before the ICC against EML s affiliate, E-City Entertainment (I) PVT Limited (E-City), seeking damages as a result of E-City s breach of a September 2000 lease agreement. An arbitration hearing took place in November 2005 against E-City which considered all claims by the Company. On February 1, 2006, the ICC issued an award on liability finding unanimously in the Company s favor on all claims. Further hearings took place in July 2006 and December 2006. On August 24, 2007, the ICC issued an award unanimously in favor of the Company in the amount of $9.4 million, consisting of past and future rents owed to the Company under its lease agreements, plus interest and costs. In the award, the ICC upheld the validity and enforceability of the Company s theater system contract. The Company thereafter submitted its application to the

arbitration panel for interest and costs. On March 27, 2008, the arbitration panel issued a final award in favor of the Company in the amount of $11.3 million, plus an additional $2,512 each day in interest from October 1, 2007 until the date the award is paid, which the Company is seeking to enforce and collect in full. In July 2008, E-City commenced a proceeding in Mumbai, India seeking an order that the ICC award may not be recognized in India. The Company has opposed that application on a number of grounds and seeks to have the ICC award recognized in India. On June 24, 2011, the Company commenced an application to the Ontario Superior Court of Justice for recognition of the final award. On December 2, 2011, the Ontario court issued an order recognizing the final award and requiring E-City to pay the Company $30,000 to cover the costs of the application. On January 18, 2012, the Company filed an application in New York State Supreme Court seeking recognition of the Ontario order in New York. On April 11, 2012, the New York court issued an order granting the Company s application leading to an entry of $15.5 million judgment in favor of the Company on May 4, 2012. On March 11, 2014, E-City moved the Court to vacate this judgment on the ground that the service of process was improper, and this motion is currently pending. On January 30, 2013, the Company filed another action in the New York Supreme Court seeking to collect the amount due under the New York judgment from certain entities and individuals affiliated with E-City. On June 13, 2013,

the Bombay High Court ruled that it has jurisdiction over the proceeding but on November 19, 2013, the Supreme Court of India stayed proceedings in the High Court pending Supreme Court review of the High Court s ruling. The defendants in the New York action have answered and objected to the Company s petition, and they have moved to dismiss for improper service of process. The New York Court heard oral arguments on August 20, 2013 and April 3, 2014 and has taken the matter under advisement.

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

(d) A class action lawsuit was filed on September 20, 2006 in the Canadian Court against the Company and certain of its officers and directors, alleging violations of Canadian securities laws. This lawsuit was brought on behalf of shareholders who acquired the Company s securities between February 17, 2006 and August 9, 2006. The lawsuit seeks $210.0 million in compensatory and punitive damages, as well as costs. For reasons released December 14, 2009, the Canadian Court granted leave to the plaintiffs to amend their statement of claim to plead certain claims pursuant to the Securities Act (Ontario) against the Company and certain individuals (the Defendants) and granted certification of the action as a class proceeding. These are procedural decisions, and do not contain any conclusions binding on a judge at trial as to the factual or legal merits of the claim. Leave to appeal those decisions was denied. In March 2013, the Defendants obtained an Order enforcing the settlement Order in the parallel class action in the United

States in this Canadian class action lawsuit, with the result that the class in this case was reduced in size by approximately 85%. A motion by the Plaintiffs to appeal that Order was dismissed. The Company believes the allegations made against it in the statement of claim are meritless and will vigorously defend the matter, although no assurance can be given with respect to the ultimate outcome of such proceedings. The Company s directors and officers insurance policy provides for reimbursement of costs and expenses incurred in connection with this lawsuit as well as potential damages awarded, if any, subject to certain policy limits, exclusions and deductibles.

(e) On June 26, 2013, the Company filed suit against GDC Technology (USA) LLC and certain of its affiliates (collectively, GDC) in the U.S. District Court for the Central District of California alleging trade secret misappropriation, unjust enrichment and unfair competition and seeking injunctive relief, compensatory damages, and punitive damages. This action is based on GDC s commercial exploitation of large format digital theater projection system and film conversion technologies, which the lawsuit alleges were stolen from the Company by its former employee, Gary Tsui, and then provided by Tsui to various technology companies in China. The Company s action against GDC alleges that GDC is now knowingly and actively using these trade secrets and marketing large format film projection systems and conversion technology that the Company is informed and believes were derived from and incorporate the trade secrets stolen by Tsui. On August 12, 2013, in light of the complicating effects of the interwoven corporate

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relationships among the GDC defendants on federal diversity jurisdiction, the Company voluntarily dismissed the federal court action and filed a complaint in the Los Angeles County Superior Court alleging the same set of operative facts and same causes of action that had been contained in the District Court action. GDC has been served with the lawsuit, but has not yet filed its response. The lawsuit is at a very early stage, and the Company cannot predict the timing or outcome of this matter at this time.

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

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

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

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

Financial Guarantees

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

Product Warranties

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

	March 31,	**December 31,**

	2014	2013
Balance at the beginning of period	$ 7	$ 32
Warranty redemptions	(1)	(77)
Warranties issued	5	52
Balance at the end of period	$ 11	$ 7

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Director/Officer Indemnifications

The Company s General By-law contains an indemnification of its directors/officers, former directors/officers and persons who have acted at its request to be a director/officer of an entity in which the Company is a shareholder or creditor, to indemnify them, to the extent permitted by the *Canada Business Corporations Act*, against expenses (including legal fees), judgments, fines and any amount actually and reasonably incurred by them in connection with any action, suit or proceeding in which the directors and/or officers are sued as a result of their service, if they acted honestly and in good faith with a view to the best interests of the Company. The nature of the indemnification prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay to counterparties. The Company has purchased directors and officers liability insurance. No amount has been accrued in the condensed consolidated balance sheets as at March 31, 2014 and December 31, 2013 with respect to this indemnity.

Other Indemnification Agreements

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

9. Condensed Consolidated Statements of Operations Supplemental Information

(a) Selling Expenses

The Company defers direct selling costs such as sales commissions and other amounts related to its sale and sales-type lease arrangements until the related revenue is recognized. These costs and direct advertising and marketing, included in costs and expenses applicable to revenues-equipment and product sales, totaled $0.2 million for the three months ended March 31, 2014 (2013 $0.3 million).

Film exploitation costs, including advertising and marketing, totaled $1.3 million for the three months ended March 31, 2014 (2013 $1.0 million) and are recorded in costs and expenses applicable to revenues-services as incurred.

Commissions are recognized as costs and expenses applicable to revenues-rentals in the month they are earned. These costs totaled less than $0.1 million for the three months ended March 31, 2014 (2013 less than $0.1 million). Direct advertising and marketing costs for each theater are charged to costs and expenses applicable to revenues-rentals as incurred. These costs totaled $0.2 million for the three months ended March 31, 2014 (2013 $0.2 million).

(b) Foreign Exchange

Included in selling, general and administrative expenses for the three months ended March 31, 2014 is a loss of $0.7 million (2013 loss of less than $0.1 million), for net foreign exchange gains/losses related to the translation of foreign currency denominated monetary assets and liabilities. See note 15(d) for additional information.

(c) Collaborative Arrangements

Joint Revenue Sharing Arrangements

In a joint revenue sharing arrangement, the Company receives a portion of a theater s box-office and concession revenues and in some cases a small upfront or initial payment, in exchange for placing a theater system at the theater operator s venue. Under joint

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

The Company has signed joint revenue sharing agreements with 39 exhibitors for a total of 649 theater systems, of which 388 theaters were operating as at March 31, 2014, the terms of which are similar in nature, rights and obligations. The accounting policy for the Company s joint revenue sharing arrangements is disclosed in note 2(m) of the Company s 2013 Form 10-K.

Amounts attributable to transactions arising between the Company and its customers under joint revenue sharing arrangements are included in Rentals revenue and for the three months ended March 31, 2014 amounted to $10.9 million (2013 $9.4 million).

IMAX DMR

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

For the three months ended March 31, 2014, 18 IMAX DMR films were exhibited throughout the IMAX theater network. The Company has entered into arrangements with film producers to convert 10 additional films, which are expected to be released during the remainder of 2014, the terms of which are substantially similar in nature, rights and obligations. The accounting policy for the Company s IMAX DMR arrangements is disclosed in note 2(m) of the Company s 2013 Form 10-K.

Amounts attributable to transactions arising between the Company and its customers under IMAX DMR arrangements are included in Services revenue and for the three months ended March 31, 2014 amounted to $15.2 million (2013 $14.4 million).

Co-Produced Film Arrangements

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

The accounting policies relating to co-produced film arrangements are disclosed in notes 2(a) and 2(m) of the Company s 2013 Form 10-K.

As at March 31, 2014, the Company has one significant co-produced film arrangement which represents the VIE total assets and liabilities balance of $5.3 million and 6 other co-produced film arrangements, the terms of which are similar.

For the three months ended March 31, 2014, amounts totaling $0.5 million (2013 $1.1 million) attributable to transactions between the Company and other parties involved in the production of the films have been included in cost and expenses applicable to revenues-services.

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10. Condensed Consolidated Statements of Cash Flows Supplemental Information

(a) Changes in other non-cash operating assets and liabilities are comprised of the following:

	Three Months Ended March 31,	
	2014	2013
Decrease (increase) in:		
Accounts receivable	$ 13,011	$ (6,353)
Financing receivables	3,191	(2,011)
Inventories	(4,032)	(1,643)
Prepaid expenses	(1,829)	(949)
Commissions and other deferred selling expenses	(802)	(37)
Insurance recoveries	(50)	(88)
Other assets	(180)	(298)
Increase (decrease) in:		
Accounts payable	(5,077)	2,245
Accrued and other liabilities[1]	(7,954)	(3,978)
Deferred revenue	6,477	2,409
	$ 2,755	$ (10,703)

(1) Change in accrued and other liabilities for the three months ended March 31, 2014 includes payments of $nil for variable stock-based compensation (2013 - $1.0 million).

(b) Cash payments made on account of:

	Three Months Ended March 31,	
	2014	2013
Income taxes	$ 2,526	$ 173
Interest	$	$ 246

(c) Depreciation and amortization are comprised of the following:

	Three Months Ended March 31,	
	2014	2013
Film assets	$ 2,373	$ 3,468
Property, plant and equipment		

Joint revenue sharing arrangements	2,881	2,858
Other property, plant and equipment	1,283	1,338
Other intangible assets	727	689
Other assets	160	140
Deferred financing costs	131	98
	$ 7,555	$ 8,591

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(d) Write-downs, net of recoveries, are comprised of the following:

	Three Months Ended March 31,	
	2014	2013
Property, plant and equipment	$ 224	$
Financing receivables	167	
Accounts receivable	120	
Inventories	7	
	$ 518	$

11. Income Taxes

(a) Income Taxes

The Company s effective tax rate differs from the statutory tax rate and varies from year to year primarily as a result of permanent differences, investment and other tax credits, the provision for income taxes at different rates in foreign and other provincial jurisdictions, enacted statutory tax rate increases or reductions in the year, changes due to foreign exchange, changes in the Company s valuation allowance based on the Company s recoverability assessments of deferred tax assets, and favorable or unfavorable resolution of various tax examinations. During the quarter ended March 31, 2014, there was no change in the Company s estimates of the recoverability of its deferred tax assets based on an analysis of both positive and negative evidence including projected future earnings.

As at March 31, 2014, the Company had net deferred income tax assets after valuation allowance of $24.4 million (December 31, 2013 $24.3 million), which consists of a gross deferred income tax asset of $29.2 million (December 31, 2013 $29.1 million), against which the Company is carrying a $4.8 million valuation allowance (December 31, 2013 $4.8 million).

(b) Income Tax Effect on Comprehensive Income

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

	Three Months Ended March 31,	
	2014	2013
Unrealized change in cash flow hedging instruments	$ 83	$ 77
Realized change in cash flow hedging instruments upon settlement	65	33
Foreign currency translation adjustments	33	87
Amortization of actuarial loss on defined benefit plan		(29)

Gain on curtailment of postretirement benefit plan		(100)
	$ 181	$ 68

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12. Capital Stock

(a) Stock-Based Compensation

The compensation costs recorded in the condensed consolidated statement of operations for these plans were $3.2 million for the three months ended March 31, 2014 (2013 $2.8 million).

As at March 31, 2014, the Company has reserved a total of 10,380,973 (December 31, 2013   10,530,723) common shares for future issuance under the Company s Stock Option Plan (SOP) and the IMAX 2013 Long-Term Incentive Plan (IMAX LTIP). Of the common shares reserved for issuance, there are options in respect of 6,984,862 common shares and RSUs in respect of 657,960 common shares outstanding at March 31, 2014. At March 31, 2014, options in respect of 4,006,707 common shares were vested and exercisable.

Stock Option Plan

The Company recorded an expense of $2.2 million for the three months ended March 31, 2014 (2013 $2.3 million) related to stock option grants issued to employees and directors in the IMAX LTIP and SOP plans. An income tax benefit is recorded in the condensed consolidated statements of operations of $0.4 million for these costs.

The weighted average fair value of all stock options, granted to employees and directors for the three months ended March 31, 2014 at the grant date was $8.33 per share (2013 $6.54 per share). The following assumptions were used to estimate the average fair value of the stock options:

	Three Months Ended March 31,	
	2014	**2013**
Average risk-free interest rate	2.50%	1.36%
Expected option life (in years)	4.48 - 5.82	4.62
Expected volatility	37.5%	40%
Annual termination probability	0% - 8.40%	8.52%
Dividend yield	0%	0%

Stock options to Non-Employees

There were no common share options issued to non-employees during the three months ended March 31, 2014 and 2013.

As at March 31, 2014, non-employee stock options outstanding amounted to 76,751 stock options (2013   115,001) with a weighted average exercise price of $15.67 (2013 $14.20). 40,276 stock options (2013   39,209) were exercisable with an average weighted exercise price of $11.33 (2013 $10.37) and the vested stock options have an aggregate intrinsic value of $0.7 million (2013 $0.6 million).

For the three months ended March 31, 2014, the Company recorded a charge of less than $0.1 million (2013 $0.1 million) to cost and expenses related to revenues   services and selling, general and administrative expenses related to the non-employee stock options. Included in accrued liabilities is an accrual of $0.1 million for non-employee stock options (December 31, 2013 $0.1 million).

China Long Term Incentive Plan (China LTIP)

Each stock option issued under the China LTIP represents an opportunity to participate economically in the future growth and value creation of the subsidiary. The China LTIP options issued by the subsidiary (China Options) operate in tandem with options granted to certain employees of the subsidiary under the Company s SOP and IMAX LTIP (Tandem Options).

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In 2012, an aggregate of 146,623 Tandem Options were granted to certain employees in conjunction with China Options with an average price of $22.39 per share in accordance with the China LTIP. During the three months ended March 31, 2014, an additional 6,021 Tandem Options were granted in conjunction with China Options with an average price of $27.20 per share. The Tandem Options have a maximum contractual life of 7 years. As at March 31, 2014, there were 152,644 (December 31, 2013 146,623) outstanding and unvested Tandem Options issued under the China LTIP with a weighted average exercise price of $22.58 per share (December 31, 2013 $22.39 per share). The weighted average fair value of the Tandem Options granted during the three months ended March 31, 2014 was $7.02 per share. The total fair value of the Tandem Options granted with respect to the China LTIP was $1.6 million. The Company is recognizing this expense over a 5 year period. If a performance event occurs, including upon the occurrence of a qualified initial public offering or upon a change in control on or prior to the fifth anniversary of the grant date, the 152,644 Tandem Options issued forfeit immediately and the related charge would be reversed. There were no option awards issued under the China LTIP during the three months ended March 31, 2013.

The Company has recorded an expense of $0.1 million for the three months ended March 31, 2014 (March 31, 2013 $0.1 million) related to Tandem Options issued under the China LTIP.

Stock Option Summary

The following table summarizes certain information in respect of option activity under the SOP and IMAX LTIP for the three month periods ended March 31:

	Number of Shares		Weighted Average Exercise Price Per Share	
	2014	**2013**	**2014**	**2013**
Options outstanding, beginning of period	6,263,121	7,441,068	$ 21.11	$ 18.48
Granted	828,353	178,112	27.44	25.44
Exercised	(100,612)	(383,651)	7.37	6.48
Forfeited		(21,750)		26.49
Cancelled	(6,000)	(1,250)	31.73	29.49
Options outstanding, end of period	6,984,862	7,212,529	22.05	19.27
Options exercisable, end of period	4,006,707	3,507,692	19.65	16.57

The Company cancelled 6,000 stock options from its SOP (2013 1,250) surrendered by Company employees during the three months ended March 31, 2014.

As at March 31, 2014, 6,632,982 options were fully vested or are expected to vest with a weighted average exercise price of $21.87, aggregate intrinsic value of $40.8 million and weighted average remaining contractual life of 4.9 years. As at March 31, 2014, options that are exercisable have an intrinsic value of $33.7 million and a weighted average remaining contractual life of 4.4 years. The intrinsic value of options exercised in the three months ended March 31, 2014 was $2.1 million (2013 $7.2 million).

Restricted Share Units

RSUs have been granted to employees, consultants and directors under the IMAX LTIP. Each RSU represents a contingent right to receive one common share and is the economic equivalent of one common share. The grant date fair value of each RSU is equal to the share price of the Company s stock at the grant date. The Company recorded an expense of $0.9 million for the three month period ended March 31, 2014 (2013 $nil), related to RSU grants issued to employees and directors in the plan. The annual termination probability assumed for the three months ended March 31, 2014, ranged from 0% to 9.46%. In addition, the Company recorded an expense of less than $0.1 million for the three months ended March 31, 2014 (2013 $nil), related to RSU grants issued to certain advisors and strategic partners of the Company.

During the three months ended March 31, 2014, in connection with the vesting of RSUs, the Company delivered 43,138 Common Shares to IMAX LTIP participants, of which 15,322 Common Shares were issued from treasury and 27,816 Common Shares were purchased in the open market by the IMAX LTIP trustee.

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Total stock-based compensation expense related to non-vested RSU s not yet recognized at March 31, 2014 and the weighted average period over which the awards are expected to be recognized is $14.6 million and 3.3 years. The Company s actual tax benefits realized for the tax deductions related to the vesting of RSUs was $0.4 million for the three months ended March 31, 2014.

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

The following table summarizes certain information in respect of RSU activity under the IMAX LTIP for the three months ended March 31, 2014:

	Number of Awards	Weighted Average Grant Date Fair Value
RSUs outstanding, beginning of period	264,140	$ 26.14
Granted	436,958	27.59
Vested and settled	(43,138)	26.28
RSUs outstanding, end of period	657,960	27.10

Stock Appreciation Rights

There have been no stock appreciation rights (SARs) granted since 2007. As at March 31, 2014 and December 31, 2013, no SARs were outstanding. During the first quarter of 2013, 50,000 SARs were cash settled for $1.0 million. The average exercise price for the settled SARs for the three months ended March 31, 2013 was $6.86 per SAR. None of the SARs were forfeited, cancelled, or expired for the three months ended March 31, 2013. The Company recorded an expense of $0.4 million for the three months ended March 31, 2013 to selling, general and administrative expenses related to these SARs.

(b) Income Per Share

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

	Three Months Ended March 31,	
	2014	2013
Net income applicable to common shareholders	$ 579	$ 2,861
Weighted average number of common shares (000 s):		
Issued and outstanding, beginning of period	67,841	66,482
Weighted average number of shares issued during the period	67	164

Weighted average number of shares used in computing basic income per Share	67,908	66,646
Assumed exercise of stock options and RSUs, net of shares assumed repurchased	1,413	2,044
Weighted average number of shares used in computing diluted income per Share	69,321	68,690

The calculation of diluted earnings per share excludes 4,499,145 shares that are issuable upon exercise of RSUs and stock options of 276,275 and 4,222,870, respectively, as the impact of these exercises would be antidilutive.

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(c) Shareholders Equity

The following summarizes the movement of Shareholders Equity for the three months ended March 31, 2014:

Balance as at December 31, 2013	$ 319,585
Net income	579
Adjustments to capital stock:	
Issuance of common shares for stock options exercised	742
Issuance of common shares for vested RSUs	402
Stock options exercised	228
Adjustments to other equity:	
Employee stock options granted	2,250
Stock options exercised	(228)
RSUs granted	914
RSUs vested	(1,192)
Excess tax benefits from RSUs	20
Adjustments to accumulated other comprehensive loss:	
Unrealized net loss from cash flow hedging instruments	(810)
Realization of cash flow hedging net loss upon settlement	248
Foreign currency translation adjustment	(146)
Tax effect of movement in other comprehensive loss	181
Balance as at March 31, 2014	$ 322,773

13. Segmented Information

The Company has seven reportable segments identified by category of product sold or service provided: IMAX systems; theater system maintenance; joint revenue sharing arrangements; film production and IMAX DMR; film distribution; film post-production; and other. The IMAX systems segment designs, manufactures, sells or leases IMAX theater projection system equipment. The theater system maintenance segment maintains IMAX theater projection system equipment in the IMAX theater network. The joint revenue sharing arrangements segment provides IMAX theater projection system equipment to an exhibitor in exchange for a share of the box-office and concession revenues. The film production and IMAX DMR segment produces films and performs film re-mastering services. The film distribution segment distributes films for which the Company has distribution rights. The film post-production segment provides film post-production and film print services. The Company refers to all theaters using the IMAX theater system as IMAX theaters . The other segment includes certain IMAX theaters that the Company owns and operates, camera rentals and other miscellaneous items. The accounting policies of the segments are the same as those described in note 2 to the audited consolidated financial statements included in the Company s 2013 Form 10-K.

Management, including the Company s Chief Executive Officer (CEO) who is the Company s Chief Operating Decision Maker (as defined in the Segment Reporting Topic of the FASB ASC), assesses segment performance based on segment revenues, gross margins and film performance. Selling, general and administrative expenses, research and development costs, amortization of intangibles, receivables provisions (recoveries), write-downs net of recoveries, interest income, interest expense and tax (provision) recovery are not allocated to the segments.

Transactions between the film production and IMAX DMR segment and the film post-production segment are valued at exchange value. Inter-segment profits are eliminated upon consolidation, as well as for the disclosures below.

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Transactions between the other segments are not significant.

	Three Months Ended March 31,	
	2014	2013
Revenue[1]		
IMAX theater systems		
IMAX systems	$ 7,760	$ 12,738
Theater system maintenance	8,195	7,789
Joint revenue sharing arrangements	10,856	9,376
	26,811	29,903
Films		
Production and IMAX DMR	15,185	14,355
Distribution	1,463	2,487
Post-production	3,226	1,141
	19,874	17,983
Other	1,512	1,780
Total	$ 48,197	$ 49,666
Gross margins		
IMAX theater systems		
IMAX systems[2]	$ 4,773	$ 8,191
Theater system maintenance	3,001	3,054
Joint revenue sharing arrangements[2]	7,283	6,159
	15,057	17,404
Films		
Production and IMAX DMR[2]	11,074	9,213
Distribution[2]	190	203
Post-production	525	(432)
	11,789	8,984
Other	(438)	(198)
Total	$ 26,408	$ 26,190

(1)

The Company s largest customer represents 16.2% of total revenues for the three months ended March 31, 2014 (2013 13.1%).

(2) IMAX systems include marketing and commission costs of $0.2 million for the three months ended March 31, 2014 (2013 $0.3 million). Joint revenue sharing arrangements segment margins include advertising, marketing and commission costs of $0.2 million for the three months ended March 31, 2014 (2013 $0.2 million). Production and DMR segment margins include marketing costs of $1.1 million for the three months ended March 31, 2014 (2013 $0.9 million). Distribution segment margins include marketing costs of $0.2 million for the three months ended March 31, 2014 (2013 $0.1 million).

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Geographic Information

Revenue by geographic area is based on the location of the customer. Revenue related to IMAX DMR is presented based upon the geographic location of the theaters that exhibit the re-mastered films. IMAX DMR revenue is generated through contractual relationships with studios and other third parties and these may not be in the same geographical location as the theater.

	Three Months Ended March 31,	
	2014	**2013**
Revenue		
United States	$ 19,684	$ 21,335
Canada	2,125	1,749
Greater China	10,509	11,027
Western Europe	4,996	3,390
Asia (excluding Greater China)	4,286	3,991
Russia and the CIS	2,346	4,939
Latin America	2,256	1,420
Rest of the World	1,995	1,815
Total	$ 48,197	$ 49,666

No single country in the Rest of the World, Western Europe, Latin America and Asia (excluding Greater China) classifications comprise more than 10% of the total revenue.

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14. Employee s Pension and Postretirement Benefits

(a) Defined Benefit Plan

The Company has an unfunded U.S. defined benefit pension plan (the SERP) covering Richard L. Gelfond, Chief Executive Officer (CEO) of the Company and Bradley J. Wechsler, Chairman of the Company s Board of Directors.

The following table provides disclosure of the pension obligation for the SERP:

	As at March 31, 2014	As at December 31, 2013
Obligation, beginning of period	$ 18,284	$ 20,366
Interest cost	66	195
Actuarial gain		(2,277)
Obligation, end of period and unfunded status	$ 18,350	$ 18,284

The following table provides disclosure of pension expense for the SERP:

	Three Months Ended March 31, 2014	2013
Interest cost	$ 66	$ 49
Amortization of actuarial loss		111
Pension expense	$ 66	$ 160

No contributions are expected to be made for the SERP during 2014. The Company expects interest costs of $0.2 million to be recognized as a component of net periodic benefit cost during the remainder of 2014.

The accumulated benefit obligation for the SERP was $18.4 million at March 31, 2014 (December 31, 2013 - $18.3 million).

The following benefit payments are expected to be made as per the current SERP assumptions and the terms of the SERP in each of the next 5 years, and in the aggregate:

2014 (nine months remaining)	$
2015	
2016	
2017	19,228
2018	

Thereafter	
	$ 19,228

(b) Defined Contribution Plan

The Company also maintains defined contribution pension plans for its employees, including its executive officers. The Company makes contributions to these plans on behalf of employees in an amount up to 5% of their base salary subject to certain prescribed maximums. During the three months ended March 31, 2014, the Company contributed and expensed an aggregate of $0.3 million (2013 $0.3 million) to its Canadian plan and an aggregate of $0.1 million (2013 $0.1 million) to its defined contribution employee pension plan under Section 401(k) of the U.S. Internal Revenue Code.

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(c) Postretirement Benefits - Executives

The Company has an unfunded postretirement plan for Messrs. Gelfond and Wechsler. The plan provides that the Company will maintain health benefits for Messrs. Gelfond and Wechsler until they become eligible for Medicare and, thereafter, the Company will provide Medicare supplement coverage as selected by Messrs. Gelfond and Wechsler. The postretirement benefits obligation as at March 31, 2014 is $0.4 million (December 31, 2013 $0.4 million). The Company has expensed less than $0.1 million for the three months ended March 31, 2014 (2013 less than $0.1 million).

The following benefit payments are expected to be made as per the current plan assumptions in each of the next 5 years:

2014 (nine months remaining)	$ 20
2015	22
2016	24
2017	29
2018	33
Thereafter	269
	$ 397

(d) Postretirement Benefits Canadian Employees

The Company has an unfunded postretirement plan for its Canadian employees upon meeting specific eligibility requirements. The Company will provide eligible participants, upon retirement, with health and welfare benefits. The postretirement benefits obligation as at March 31, 2014 is $2.3 million (December 31, 2013 $2.3 million). The Company has expensed less than $0.1 million for the three months ended March 31, 2014 (2013 less than $0.1 million).

In the first quarter of 2013, the Company amended the Canadian postretirement plan to reduce future benefits provided under the plan. As a result of this change, the Company recognized a pre-tax curtailment gain in 2013 of $2.2 million (included in selling, general and administrative expenses) and a reduction in the postretirement liability of $2.6 million.

The following benefit payments are expected to be made as per the current plan assumptions in each of the next 5 years:

2014 (nine months remaining)	$ 76
2015	89
2016	99
2017	110
2018	116
Thereafter	1,856

	$ 2,346

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15. Financial Instruments

(a) Financial Instruments

The Company maintains cash with various major financial institutions. The Company s cash is invested with highly rated financial institutions.

The Company s accounts receivables and financing receivables are subject to credit risk. The Company s accounts receivable and financing receivables are concentrated with the theater exhibition industry and film entertainment industry. To minimize the Company s credit risk, the Company retains title to underlying theater systems leased, performs initial and ongoing credit evaluations of its customers and makes ongoing provisions for its estimate of potentially uncollectible amounts. The Company believes it has adequately provided for related exposures surrounding receivables and contractual commitments.

(b) Fair Value Measurements

The carrying values of the Company s cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities due within one year approximate fair values due to the short-term maturity of these instruments. The Company s other financial instruments are comprised of the following:

	As at March 31, 2014		As at December 31, 2013	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Net financed sales receivable	$ 90,612	$ 89,244	$ 93,493	$ 92,043
Net investment in sales-type leases	$ 13,140	$ 12,747	$ 13,617	$ 13,214
Available-for-sale investment	$ 1,000	$ 1,000	$ 1,000	$ 1,000
Foreign exchange contracts designated forwards	$ (983)	$ (983)	$ (421)	$ (421)

The estimated fair values of the net financed sales receivable and net investment in sales-type leases are estimated based on discounting future cash flows at currently available interest rates with comparable terms (Level 2 input in accordance with the Fair Value Measurements Topic of the FASB ASC hierarchy) as at March 31, 2014 and December 31, 2013, respectively.

The fair value of the Company s available-for-sale investment is determined using the present value of expected cash flows based on projected earnings and other information readily available from the business venture (Level 3 input in accordance with the Fair Value Measurements Topic of the FASB ASC hierarchy) as at March 31, 2014 and December 31, 2013, respectively. The discounted cash flow valuation technique is based on significant unobservable inputs of revenue and expense projections, appropriately risk weighted, as the investment is in a start-up entity. The significant unobservable inputs used in the fair value measurement of the Company s available-for-sale investment are long-term revenue growth and pretax operating margin. A significant increase (decrease) in any of those inputs in isolation would result in a lower or higher fair value measurement.

The fair value of foreign currency derivatives is determined using quoted prices in active markets (Level 2 input in accordance with the Fair Value Measurements Topic of the FASB ASC hierarchy) as at March 31, 2014 and December 31, 2013, respectively. These identical instruments are traded on a closed exchange.

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There were no significant transfers between Level 1 and Level 2 during the three months ended March 31, 2014 or 2013. When a determination is made to classify an asset or liability within Level 3, the determination is based upon the significance of the unobservable inputs to the overall fair value measurement. The table below sets forth a summary of changes in the fair value of the Company s available-for-sale investment measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the period:

	Available For Sale Investments	
	2014	**2013**
Beginning balance, January 1,	$ 1,000	$ 1,350
Transfers into/out of Level 3		
Total gains or losses (realized/unrealized)		
Included in earnings		
Change in other comprehensive income		
Purchases, issuances, sales and settlements		
Ending balance, March 31,	$ 1,000	$ 1,350
The amount of total gains or losses for the period included in earnings attributable to the change in unrealized gains or losses relating to assets still held at the reporting date	$	$

There were no transfers in or out of the Company s level 3 assets during the three months ended March 31, 2014.

(c) Financing Receivables

The Company s net investment in leases and its net financed sale receivables are subject to the disclosure requirements of ASC 310 Receivables . Due to differing risk profiles of its net investment in leases and its net financed sales receivables, the Company views its net investment in leases and its net financed sale receivables as separate classes of financing receivables. The Company does not aggregate financing receivables to assess impairment.

The Company monitors the credit quality of each customer on a frequent basis through collections and aging analyses. The Company also holds meetings monthly in order to identify credit concerns and whether a change in credit quality classification is required for the customer. A customer may improve in their credit quality classification once a substantial payment is made on overdue balances or the customer has agreed to a payment plan with the Company and payments have commenced in accordance to the payment plan. The change in credit quality indicator is dependent upon management approval.

The Company classifies its customers into four categories to indicate the credit quality worthiness of its financing receivables for internal purposes only:

Good standing Theater continues to be in good standing with the Company as the client s payments and reporting are up-to-date.

Credit Watch Theater operator has begun to demonstrate a delay in payments, has been placed on the Company s credit watch list for continued monitoring, but active communication continues with the Company. Depending on the

size of outstanding balance, length of time in arrears and other factors, transactions may need to be approved by management. These financing receivables are considered to be in better condition than those receivables related to theaters in the Pre-approved transactions category, but not in as good of condition as those receivables in Good standing .

Pre-approved transactions only Theater operator is demonstrating a delay in payments with little or no communication with the Company. All service or shipments to the theater must be reviewed and approved by management. These financing receivables are considered to be in better condition than those receivables related to theaters in the All transactions suspended category, but not in as good of condition as those receivables in Credit Watch. Depending on the individual facts and circumstances of each customer, finance income recognition may be suspended if management believes the receivable to be impaired.

All transactions suspended Theater is severely delinquent, non-responsive or not negotiating in good faith with the Company. Once a theater is classified as All transactions suspended , the theater is placed on nonaccrual status and all revenue recognitions related to the theater are stopped.

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The following table discloses the recorded investment in financing receivables by credit quality indicator:

	As at March 31, 2014			As at December 31, 2013		
	Minimum Lease Payments	Financed Sales Receivables	Total	Minimum Lease Payments	Financed Sales Receivables	Total
In good standing	$ 11,867	$ 89,113	$ 100,980	$ 12,318	$ 89,017	$ 101,335
Credit watch	410	571	981	420	3,895	4,315
Pre-approved transactions	258	555	813	288		288
Transactions suspended	1,411	861	2,272	1,397	817	2,214
	$ 13,946	$ 91,100	$ 105,046	$ 14,423	$ 93,729	$ 108,152

While recognition of finance income is suspended, payments received by a customer are applied against the outstanding balance owed. If payments are sufficient to cover any unreserved receivables, a recovery of provision taken on the billed amount, if applicable, is recorded to the extent of the residual cash received. Once the collectibility issues are resolved and the customer has returned to being in good standing, the Company will resume recognition of finance income.

The Company s investment in financing receivables on nonaccrual status is as follows:

	As at March 31, 2014		As at December 31, 2013	
	Recorded Investment	Related Allowance	Recorded Investment	Related Allowance
Net investment in leases	$ 1,411	$ (606)	$ 1,684	$ (606)
Net financed sales receivables	861	(488)	817	(236)
	$ 2,272	$ (1,094)	$ 2,501	$ (842)

The Company considers financing receivables with aging between 60-89 days as indications of theaters with potential collection concerns. The Company will begin to focus its review on these financing receivables and increase its discussions internally and with the theater regarding payment status. Once a theater s aging exceeds 90 days, the Company s policy is to review and assess collectibility on the theater s past due accounts. Over 90 days past due is used by the Company as an indicator of potential impairment as invoices up to 90 days outstanding could be considered reasonable due to the time required for dispute resolution or for the provision of further information or supporting documentation to the customer.

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The Company s aged financing receivables are as follows:

	As at March 31, 2014							
	Accrued And Current	30-89 Days	90+ Days	Billed Financing Receivables	Related Unbilled Recorded Investment	Total Recorded Investment	Related Allowances	Recorded Investment Net of Allowances
Net investment in leases	$ 278	$ 277	$ 929	$ 1,484	$ 12,462	$ 13,946	$ (806)	$ 13,140
Net financed sales receivables	2,449	1,799	3,543	7,791	83,309	91,100	(488)	90,612
Total	$ 2,727	$ 2,076	$ 4,472	$ 9,275	$ 95,771	$ 105,046	$ (1,294)	$ 103,752

	As at December 31, 2013							
	Accrued And Current	30-89 Days	90+ Days	Billed Financing Receivables	Related Unbilled Recorded Investment	Total Recorded Investment	Related Allowances	Recorded Investment Net of Allowances
Net investment in leases	$ 444	$ 218	$ 841	$ 1,503	$ 12,920	$ 14,423	$ (806)	$ 13,617
Net financed sales receivables	2,502	1,211	3,018	6,731	86,998	93,729	(236)	93,493
Total	$ 2,946	$ 1,429	$ 3,859	$ 8,234	$ 99,918	$ 108,152	$ (1,042)	$ 107,110

The Company s recorded investment in past due financing receivables for which the Company continues to accrue finance income is as follows:

	As at March 31, 2014						
	Accrued And Current	30-89 Days	90+ Days	Billed Financing Receivables	Related Unbilled Recorded Investment	Related Allowance	Recorded Investment Past Due and Accruing
Net investment in leases	$ 180	$ 161	$ 291	$ 632	$ 4,182	$ (200)	$ 4,614
Net financed sales receivables	424	473	1,429	2,326	15,680		18,006
Total	$ 604	$ 634	$ 1,720	$ 2,958	$ 19,862	$ (200)	$ 22,620

As at December 31, 2013	
Related	Recorded

	Accrued And Current	30-89 Days	90+ Days	Billed Financing Receivables	Unbilled Recorded Investment	Related Allowance	Investment Past Due and Accruing
Net investment in leases	$ 168	$ 108	$ 205	$ 481	$ 4,865	$ (200)	$ 5,146
Net financed sales receivables	450	469	2,056	2,975	19,282		22,257
Total	$ 618	$ 577	$ 2,261	$ 3,456	$ 24,147	$ (200)	$ 27,403

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The Company considers financing receivables to be impaired when it believes it to be probable that it will not recover the full amount of principal and interest owing under the arrangement. The Company uses its knowledge of the industry and economic trends, as well as its prior experiences to determine the amount recoverable for impaired financing receivables. The following table discloses information regarding the Company s impaired financing receivables:

	Impaired Financing Receivables For the Three Months Ended March 31, 2014				
	Recorded Investment	Unpaid Principal	Related Allowance	Average Recorded Investment	Interest Income Recognized
Recorded investment for which there is a related allowance:					
Net financed sales receivables	$ 525	335	(488)	528	
Recorded investment for which there is no related allowance:					
Net financed sales receivables					
Total recorded investment in impaired loans:					
Net financed sales receivables	$ 525	$ 335	$ (488)	$ 528	$

	Impaired Financing Receivables For the Three Months Ended March 31, 2013				
	Recorded Investment	Unpaid Principal	Related Allowance	Average Recorded Investment	Interest Income Recognized
Recorded investment for which there is a related allowance:					
Net financed sales receivables	$ 188	224	(66)	181	
Recorded investment for which there is no related allowance:					
Net financed sales receivables	369	31		372	22
Total recorded investment in impaired loans:					
Net financed sales receivables	$ 557	$ 255	$ (66)	$ 553	$ 22

The Company s activity in the allowance for credit losses for the period and the Company s recorded investment in financing receivables is as follows:

Three Months Ended March 31, 2014	Three Months Ended March 31, 2013	
Net Investment	Net Investment	Net Financed

	in Leases	Net Financed Sales Receivables	in Leases	Sales Receivables
Allowance for credit losses:				
Beginning balance	$ 806	$ 236	$ 1,130	$ 66
Charge-offs				
Provision		252		
Ending balance	$ 806	$ 488	$ 1,130	$ 66
Ending balance: individually evaluated for impairment	$ 806	$ 488	$ 1,130	$ 66
Financing receivables:				
Ending balance: individually evaluated for impairment	$ 13,946	$ 91,100	$ 14,101	$ 83,299

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(d) Foreign Exchange Risk Management

The Company is exposed to market risk from changes in foreign currency rates. A majority portion of the Company s revenues is denominated in U.S. dollars while a substantial portion of its costs and expenses is denominated in Canadian dollars. A portion of the net U.S. dollar cash flows of the Company is periodically converted to Canadian dollars to fund Canadian dollar expenses through the spot market. In China and Japan the Company has ongoing operating expenses related to its operations in Chinese Renminbi and Japanese yen, respectively. Net cash flows are converted to and from U.S. dollars through the spot market. The Company also has cash receipts under leases denominated in Chinese Renminbi, Japanese yen, Canadian dollar and Euros which are converted to U.S. dollars through the spot market. The Company s policy is to not use any financial instruments for trading or other speculative purposes.

The Company entered into a series of foreign currency forward contracts to manage the Company s risks associated with the volatility of foreign currencies. Certain of these foreign currency forward contracts met the criteria required for hedge accounting under the Derivatives and Hedging Topic of the FASB ASC at inception, and continue to meet hedge effectiveness tests at March 31, 2014 (the Foreign Currency Hedges), with settlement dates throughout 2015. Foreign currency derivatives are recognized and measured in the balance sheet at fair value. Changes in the fair value (gains or losses) are recognized in the condensed consolidated statement of operations except for derivatives designated and qualifying as foreign currency hedging instruments. For foreign currency hedging instruments, the effective portion of the gain or loss in a hedge of a forecasted transaction is reported in other comprehensive income and reclassified to the condensed consolidated statement of operations when the forecasted transaction occurs. Any ineffective portion is recognized immediately in the consolidated statement of operations. The Company currently does not hold any derivatives which are not designated as hedging instruments and therefore no gain or loss pertaining to an ineffective portion has been recognized.

The following tabular disclosures reflect the impact that derivative instruments and hedging activities have on the Company s condensed consolidated financial statements:

Notional value foreign exchange contracts as at:

	March 31, 2014	**December 31, 2013**
Derivatives designated as hedging instruments:		
Foreign exchange contracts Forwards	$ 29,799	$ 23,555

Fair value of derivatives in foreign exchange contracts as at:

	Balance Sheet Location	**March 31, 2014**	**December 31, 2013**
Derivatives designated as hedging instruments:			
Foreign exchange contracts Forwards	Other assets	$ 1	$
Foreign exchange contracts Forwards	Accrued and other liabilities	(984)	(421)

$ (983)	$ (421)

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Derivatives in Foreign Currency Hedging relationships for the three months ended March 31:

			2014	2013
Foreign exchange contracts	Forwards	Derivative Loss Recognized in OCI (Effective Portion)	$ (810)	$ (302)

		Location of Derivative (Loss) Gain Reclassified from AOCI into Income (Effective Portion)	2014	2013
Foreign exchange contracts	Forwards	Selling, general and administrative expenses	$ (248)	$ 130

(e) Investments in New Business Ventures

The Company accounts for investments in new business ventures using the guidance of the FASB ASC 323 or FASB ASC 320, as appropriate. As at March 31, 2014, the equity method