Consolidated Financial Statements

D-BOX Technologies Inc.

March 31, 2018

MANAGEMENT REPORT

The accompanying consolidated financial statements of **D-BOX Technologies Inc.** and all the information in the management's discussion and analysis ["**MD&A**"] are the responsibility of management.

The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ["**IFRS**"]. The consolidated financial statements include some amounts that are based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly, in all material respects. Financial information used elsewhere in the MD&A is consistent with that in the consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements and the MD&A and ensuring that management fulfills its financial reporting responsibilities. The Board discharges its responsibility primarily through its Audit Committee.

The Audit Committee is appointed by the Board and all its members are independent directors. The Committee meets periodically with management, as well as the independent auditors, to discuss internal control over financial reporting, audit matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities and to review the consolidated financial statements, the independent auditors' report and the MD&A. The Committee reports its findings to the Board for consideration when it approves the consolidated financial statements and the MD&A for issuance to the shareholders.

The consolidated financial statements have been audited by Ernst & Young LLP, the independent auditors, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders. The independent auditors have full and free access to the Audit Committee.

Claude Mc Master
President and Chief Executive Officer
Montréal, Canada

June 14, 2018

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
D-BOX Technologies Inc.

We have audited the accompanying consolidated financial statements of D-BOX Technologies Inc., which comprise the consolidated balance sheets as at March 31, 2018 and 2017, and the consolidated statements of net loss and other comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of D-BOX Technologies Inc. as at March 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP [1]

Montréal, Canada
June 14, 2018

[1] CPA auditor, CA, public accountancy permit no. A118785

D-BOX Technologies Inc.
CONSOLIDATED BALANCE SHEETS

As at March 31
[in thousands of Canadian dollars]

	Notes	2018 $	2017 $
ASSETS	10		
Current assets			
Cash and cash equivalents		**10,141**	8,867
Accounts receivable	3	**5,255**	5,517
Inventories	4	**7,761**	8,334
Prepaid expenses and deposits	8	**494**	612
		23,651	23,330
Non-current assets			
Property and equipment	5, 14	**7,427**	8,443
Intangible assets	6	**3,202**	3,249
Other assets	7	**74**	9
		34,354	35,031
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	8	**6,347**	5,006
Derivative financial instruments	16.3	**72**	30
Warranty provision		**237**	124
Deferred revenues		**347**	1,463
		7,003	6,623
Non-current liabilities			
Share-based compensation liability	9	**65**	51
Employee benefits		**496**	203
Long-term debt	10	**4,693**	4,549
		12,257	11,426
Equity			
Share capital	11.1	**62,762**	62,762
Share-based payments reserve	11.2	**5,377**	5,151
Warrants reserve	11.3	**528**	959
Foreign currency translation reserve		**(410)**	(437)
Deficit		**(46,160)**	(44,830)
		22,097	23,605
		34,354	35,031

Commitments *[note 14]*

Contingency *[note 17]*

See accompanying notes.

On behalf of the Board,

Jean-René Halde
Director

Claude Mc Master
Director

D-BOX Technologies Inc.
CONSOLIDATED STATEMENTS OF NET LOSS AND OTHER COMPREHENSIVE LOSS

For the years ended March 31
[in thousands of Canadian dollars, except share and per-share amounts]

	Notes	2018 $	2017 $
Revenues	12.2		
Motion systems for:			
Entertainment market:			
Commercial theatres:			
System sales		**10,021**	10,359
Rights for use, rental and maintenance		**8,427**	6,813
		18,448	17,172
Home entertainment system sales		**3,132**	3,237
Themed entertainment system sales		**7,666**	5,367
		29,246	25,776
Simulation and training market		**6,232**	5,633
		35,478	31,409
Cost of goods sold excluding amortization	4, 12.3	**15,431**	13,290
Amortization related to cost of goods sold		**1,986**	1,886
Cost of goods sold		**17,417**	15,176
Gross profit		**18,061**	16,233
Other expenses			
Selling and marketing	12.4	**9,801**	10,167
Administration	12.5	**6,678**	5,672
Research and development	12.6	**2,723**	2,836
Foreign exchange loss (gain)		**90**	(26)
		19,292	18,649
Loss before financial expenses (income) and income taxes		**(1,231)**	(2,416)
Financial expenses (income)			
Financial expenses		**571**	597
Interest income		**(46)**	(127)
		525	470
Loss before income taxes		**(1,756)**	(2,886)
Income taxes	13	**5**	6
Net loss		**(1,761)**	(2,892)
Items that will be reclassified to net loss in subsequent periods:			
Foreign currency translation gain (loss)		**27**	(31)
Comprehensive loss		**(1,734)**	(2,923)
Basic and diluted net loss per share		**(0.010)**	(0.017)
Weighted average number of common shares outstanding	11.1	**175,950,573**	175,223,266

See accompanying notes.

D-BOX Technologies Inc.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended March 31
[in thousands of Canadian dollars]

	Notes	Share capital $	Share-based payments reserve $	Warrants reserve $	Foreign currency translation reserve $	Deficit $	Total $
Balance as at March 31, 2016		62,254	5,234	959	(406)	(41,938)	26,103
Net loss		—	—	—	—	(2,892)	(2,892)
Foreign currency translation loss		—	—	—	(31)	—	(31)
Comprehensive loss		—	—	—	(31)	(2,892)	(2,923)
Issue of share capital	11.1	508	(215)	—	—	—	293
Share-based payments	11.2	—	132	—	—	—	132
Balance as at March 31, 2017		**62,762**	**5,151**	**959**	**(437)**	**(44,830)**	**23,605**
Net loss		—	—	—	—	**(1,761)**	**(1,761)**
Foreign currency translation gain		—	—	—	**27**	—	**27**
Comprehensive loss		—	—	—	**27**	**(1,761)**	**(1,734)**
Share-based payments	11.2	—	**226**	—	—	—	**226**
Expiration of warrants	11.3	—	—	**(431)**	—	**431**	—
Balance as at March 31, 2018		**62,762**	**5,377**	**528**	**(410)**	**(46,160)**	**22,097**

See accompanying notes.

D-BOX Technologies Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended March 31
[in thousands of Canadian dollars]

	Notes	2018 $	2017 $
OPERATING ACTIVITIES			
Net loss		**(1,761)**	(2,892)
Items not affecting cash			
Amortization of property and equipment	5	**2,332**	2,198
Amortization of intangible assets	6	**748**	602
Amortization of other assets	7	**5**	9
Write-off of property and equipment	5	**1**	13
Write-off of intangible assets		**145**	—
Share-based payments	11.2	**226**	132
Unrealized foreign exchange loss (gain)		**(211)**	202
Share-based payment liability		**14**	51
Employee benefit liability		**293**	203
Accretion of interest expense	10	**144**	129
Cash flows from operations before changes in working capital items		**1,936**	647
Changes in working capital items:			
Accounts receivable		**449**	519
Inventories		**573**	(3,308)
Prepaid expenses and deposits		**118**	(134)
Goods held for lease		**(804)**	(2,930)
Other assets		**(69)**	—
Accounts payable and accrued liabilities		**1,477**	(1,418)
Derivative financial instruments		**42**	55
Warranty provision		**113**	110
Deferred revenues		**(1,116)**	914
		783	(6,192)
Cash flows relating to operating activities		**2,719**	(5,545)
INVESTING ACTIVITIES			
Additions to property and equipment		**(589)**	(660)
Additions to intangible assets		**(815)**	(1,709)
Cash flows relating to investing activities		**(1,404)**	(2,369)
FINANCING ACTIVITIES			
Shares issued on exercise of option	11.1	**—**	293
Cash flows relating to financing activities		—	293
Effect of exchange rate fluctuations on cash and cash equivalents		**(41)**	34
Net change in cash and cash equivalents		**1,274**	(7,587)
Cash and cash equivalents, beginning of year		**8,867**	16,454
Cash and cash equivalents, end of year		**10,141**	8,867
Cash and cash equivalents consist of:			
Cash		**3,143**	3,984
Cash equivalents		**6,998**	4,883
Interest and income taxes included in operating activities:			
Interest paid		**350**	351
Income taxes paid		**5**	9

See accompanying notes.

1. DESCRIPTION OF BUSINESS

D-BOX Technologies Inc. [“D-BOX” or the “Corporation”], incorporated under the *Canada Business Corporations Act*, is domiciled at 2172 de la Province Street, Longueuil, Québec, Canada.

D-BOX designs, manufactures and commercializes cutting-edge motion systems intended for the entertainment and simulation and training markets. This unique and patented technology uses motion effects specifically programmed for each visual content which are sent to a motion system integrated into either a platform, a seat or any other product. The resulting motion is perfectly synchronized with the on-screen action, thus creating an unparalleled realistic immersive experience.

The Corporation evaluates its operating results and allocates resources on the basis of its one operating segment which is the design, manufacture and sale of cutting-edge motion systems. Based on the nature of the Corporation’s clients, two significant markets have been identified: the entertainment and the simulation and training markets. The entertainment market comprises motion systems installed in commercial theatres, home entertainment consumer products (particularly video games and home theatres) and themed entertainment motion systems. The simulation and training market consists of products for industrial simulators, industrial training and other applications.

The consolidated financial statements were approved by the Corporation’s Board of Directors on June 14, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of presentation and statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards [“IFRS”] as issued by the International Accounting Standards Board.

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments and share-based payment liability which are measured at fair value. The significant accounting policies are summarized below.

Comparative figures for the year ended March 31, 2017 have been restated to conform to the presentation adopted for the year ended March 31, 2018.

2.2 Basis of consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries, D-BOX USA INC. and D-BOX Entertainment Technology (Shanghai) Co. Ltd., which uses the same accounting policies and fiscal year-end as the Corporation. All intercompany balances and transactions have been eliminated on consolidation.

2.3 Significant judgments and estimates

The preparation of consolidated financial statements requires the Corporation's management to make judgments, estimates and assumptions that could affect the amounts of assets and liabilities at the balance sheet date and the amounts of revenues and expenses.

2.3.1 Judgments

In connection with the application of the Corporation's accounting policies, management made the following judgment which had a material impact on the carrying amount of assets and liabilities reported in the consolidated financial statements.

The Corporation is involved in the rental of motion systems as a lessor. The Corporation has determined, based on its assessment of the terms and conditions of agreements, such as lease term, that it retains substantially all the risks and rewards of ownership of the systems. Accordingly, the Corporation has accounted for these agreements as operating leases.

2.3.2 Estimates

The underlying estimates and assumptions are based on past experience and other factors deemed reasonable in view of the circumstances. Accordingly, they provide a basis for judgments made in determining the carrying amounts of assets and liabilities.

The final amounts appearing in the Corporation's future consolidated financial statements may differ from the amounts currently estimated. These estimates and assumptions are reviewed on an ongoing basis. The main estimates used concern the recognition of deferred tax assets and tax credits.

2.3.2.1 Deferred tax assets

Deferred tax assets are measured by management using its estimate of the value of future taxable income against which the deductible temporary differences, unused tax loss carry-forwards and unused tax credits can be utilized. Such estimates are made when preparing the budgets and strategic plans by tax jurisdiction on an undiscounted basis. Management exercises judgment to determine the extent to which realization of future taxable benefits is probable, considering factors such as the number of years to include in the forecast period, the history of taxable income and availability of tax planning strategies.

2.3.2.2 Tax credits

Investments tax credits related to eligible expenses are recognized by management based on the estimate of recoverable amounts. These claims are subject to an audit by the tax authorities and may ultimately differ from the initial estimate.

2.4 Foreign currency translation

The Corporation's consolidated financial statements are expressed in Canadian dollars, which is its functional currency.

2.4.1 Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rate at the date of the transaction. At the end of each reporting period:

- Foreign currency monetary assets and liabilities are translated using the closing rate. Resulting exchange differences are recognized in income (loss) for the year;
- Foreign currency non-monetary assets and liabilities are recognized using the historical rate at the date of the transaction.

2.4.2 Translation of the subsidiary's financial statements

The functional currency of the subsidiaries is the US dollar for D-BOX USA Inc. and the RMB for D-BOX Entertainment Technology (Shanghai) Co. Ltd. The balance sheet is translated into Canadian dollars at the closing rate, that is, the exchange rate at the end of the reporting period. Income (loss) and cash flows are translated at the average exchange rates. Differences resulting from this translation are recorded as a foreign currency translation loss in other comprehensive income (loss).

On the sale of a foreign entity, the translation differences previously recognized in other comprehensive income (loss) are recognized in the consolidated statements of net loss.

2.5 Cash and cash equivalents

Cash consists of cash and demand deposits with financial institutions. Cash equivalents consist of investments which are readily convertible into a known amount of cash and which have an original maturity of three months or less.

2.6 Inventories

Finished goods, parts and components are valued at the lower of cost and net realizable value. Cost is determined by the first-in, first-out method. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The amount of the inventory impairment charge may be reversed when the circumstances that gave rise to the impairment no longer exist. The cost of finished goods includes the cost of goods and components, labour costs and a portion of manufacturing overhead costs, based on the Corporation's normal operating capacity.

2.7 Property and equipment, intangible assets and other assets

Property and equipment, intangible assets, and other assets are recorded at cost. Property and equipment and intangible assets are amortized over their estimated useful lives using the following methods and rates:

Nature of amortized asset	Method	Period
Property and equipment		
Goods held for lease	Straight-line or based on commercial usage	Not exceeding 7 years
Furniture and fixtures	Straight-line	7 years
Machinery, equipment, computer hardware and trade show stands	Straight-line	3 to 7 years
Leasehold improvements	Straight-line	Lease term
Intangible assets		
Patents	Straight-line	Not exceeding 10 years
D-BOX motion technology*	Straight-line	3 to 7 years
Software	Straight-line	4 years
Other assets		
Movie theatre motion systems	Straight-line or based on commercial usage	Not exceeding 7 years

* Internally generated intangible assets

Each time that events indicate a risk of impairment of property and equipment and intangible assets, these assets are reviewed in detail to determine their recoverable amount, defined as the higher of their fair value less costs to sell and their value in use. Value in use is determined by discounting the future cash flows expected to arise from the use of an asset and from its disposal.

If the recoverable amount is lower than the net carrying amount, an impairment loss is recognized for the difference.

Impairment losses on property and equipment and intangible assets may be subsequently reversed where the recoverable amount once again exceeds the net carrying amount [to the extent of the initial impairment].

2.8 Warranty provision

A provision for potential warranty claims is recorded upon revenue recognition based on past experience and warranties offered by the Corporation.

2.9 Share-based payment plan

Compensation expense for options granted to employees and directors under the Corporation's share-based payment plan is recognized over their vesting period. Such share-based payment expense is determined under the fair value method using the Black-Scholes option pricing model. Any consideration paid on exercise of stock options together with the related portion previously credited to share-based payment reserve is credited to share capital.

For the share unit plans, the fair value of the amount payable to employees and directors is recognized as an expense, with a corresponding increase in liabilities, over the period that the employees and directors unconditionally become entitled to payment. The liability is re-measured at each reporting date. Any changes in the fair value of the liability are recognized in income (loss) as employee cost or in director fees.

2.10 Employee benefits

When the Corporation enters into contractual agreements with employees for long-term employee benefits, a liability and a corresponding expense is recorded as the services are rendered. When the effect of the time value of money is material, the Corporation determines the level of the liability by discounting the expected cash flows.

2.11 Revenue recognition

The Corporation's revenues are generated from the sale or lease of motion systems to entertainment market and simulation and training market clients.

2.11.1 Motion systems for entertainment market clients

The Corporation recognizes revenues arising from the sale of motion systems to home and themed entertainment market clients when persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed or determinable and collection is reasonably assured.

Agreements entered into with commercial theatres occasionally include multiple service delivery revenue arrangements for the lease or sale of motion systems, rights for use of motion technology and maintenance. These multiple deliverable revenue arrangements are divided into more than one unit of accounting and the criteria for revenue recognition are considered separately for each unit of accounting if the following criteria are met:

[i] The delivered item has stand-alone value for commercial theatres, and

[ii] If the arrangement comprises a general right of return relative to the delivered item, performance of the undelivered item is deemed probable and is substantially in the control of the Corporation.

Revenue recognition for the items covered by the arrangements is as follows.

2.11.1.1 Lease and sale of motion systems

Revenues arising from operating leases for motion systems are recognized in income as they become due under the terms of the arrangement, that is, on ticket sales by the commercial theatre for motion system use. System costs are recorded in property and equipment under goods held for lease. As per agreement clauses, the amortization of systems is calculated on a straight-line basis over a seven-year period or based on commercial theatre ticket sales when it is estimated that the system will be fully amortized before the expected agreement term not exceeding seven years. Amortization expense is recognized in income (loss) as cost of goods sold.

Revenues arising from sale of motion systems are recognized in income (loss) when persuasive evidence of an arrangement exists, the product has been delivered, the price is fixed or determinable and collection is reasonably assured. The cost of systems sold is recognized immediately in income (loss) as cost of goods sold. When the criteria for revenue recognition are not fully met, revenues are recognized in income (loss) as they become due under the terms of the arrangement, that is, based on commercial theatre ticket sales for the use of motion systems. In these circumstances, system costs are shown in the consolidated balance sheets under other assets. Other assets are amortized based on commercial usage over a period not exceeding seven years.

In addition to the above general principles, the Corporation applies specific revenue recognition for bill and hold transactions. When clients request a bill and hold, revenue is recognized when the client is invoiced for goods that have been produced, packaged and made ready for shipment. These goods are shipped within a specified period of time and are segregated from other inventory, the risk of ownership of the goods is assumed by the client, and the terms and collection experience on the related billings are consistent with all other sales.

2.11.1.2 Rights for use of motion technology and maintenance

Revenues arising from motion technology use and maintenance agreements are recognized in income (loss) over the period of service, that is, on commercial usage of motion systems and when collection is reasonably assured. Costs relating to maintenance are recorded as cost of goods sold as incurred.

2.11.2 Motion systems for simulation and training market clients

The Corporation recognizes revenues arising from the sale of motion systems to simulation and training market clients when persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed or determinable and collection is reasonably assured.

2.12 Encoding costs

The costs for encoding movies and games that support D-BOX motion technology are expensed as incurred and included in selling and marketing expenses.

2.13 Research and development costs

Research costs are charged to income (loss) in the year of expenditure. Development costs are capitalized when they meet the criteria for capitalization in accordance with IFRS.

2.14 Government assistance and investment tax credits

Government assistance and investment tax credits are recognized when there is reasonable assurance that the Corporation has complied with, and will continue to comply with, all conditions necessary to obtain such assistance. The Corporation incurs research and development expenses that are eligible for investment tax credits.

Recognized government assistance and refundable investment tax credits are based on management's estimates of amounts expected to be recovered and are subject to audit by tax authorities.

Government assistance and investment tax credits are recognized as a reduction of the cost of the related assets or expenses in the year in which the expenditures are made when management deems that there is reasonable assurance that the conditions for government assistance or investment tax credits have been met.

2.15 Income taxes

The Corporation follows the liability method of accounting for income taxes. Deferred tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities, and are measured using substantively enacted tax rates and laws that reflect the tax consequences that would follow from the way that the Corporation expects to recover or settle the carrying amount of its assets and liabilities in the periods in which the deferred tax assets and liabilities are expected to be realized or settled.

Deferred tax assets are recognized to the extent that it is probable that the Corporation's future taxable income will be sufficient to permit the recovery of such assets.

Deferred tax assets and liabilities are accounted for directly through income (loss), other comprehensive income (loss) or equity, based on the classification of the item to which they relate.

2.16 Earnings (loss) per share

Basic earnings (loss) per common share are calculated by dividing the net income (loss) attributable to common shareholders by the weighted average number of common shares outstanding during the year. Diluted earnings (loss) per share are calculated taking into account the dilution that could result if stock options for the issuance of common shares were exercised or converted into common shares at the later of the beginning of the fiscal year or the date of issue. The stock options and warrants were not included in the calculation of diluted loss per share because the Corporation sustained losses and including stock options and warrants would have been antidilutive.

2.17 Leases

All material contracts entered into by the Corporation are reviewed to identify leases. Contracts qualifying as leases are further reviewed to determine whether they are finance leases or operating leases.

Leases in which substantially all the risks and rewards of ownership in respect of the leased property are transferred to the Corporation are accounted for as finance leases by recording assets and liabilities for the present value of payments under the leases. All other leases are recorded as operating leases, and costs thereunder are charged to income (loss) over the lease term.

2.18 Financial instruments

2.18.1 Classification, measurement and recognition

Financial instruments are recognized at the transaction date and classified as held for trading, loans and receivables or other financial liabilities. The Corporation has made the following classification:

- Cash and cash equivalents are classified as financial assets at fair value through profit or loss and measured at fair value. Trade accounts receivable and deposits are classified as loans and receivables and are initially measured at fair value. Subsequent measurements are recorded at amortized cost using the effective interest method.
- Trade accounts payable, accrued liabilities, the credit facility, share-based payment liability, employee benefits and long-term debt are classified as other financial liabilities and are initially measured at fair value. Subsequent measurements are recorded at amortized cost using the effective interest method.

Derivative financial instruments consist of foreign exchange contracts [note 16.3] and are accounted for at fair value with changes in fair value recognized in the consolidated statements of net loss and other comprehensive loss under "Foreign exchange loss (gain)". Derivative financial instruments are recognized as financial assets where fair value is positive and as financial liabilities where it is negative.

Derivative financial instruments are measured at fair value in the consolidated balance sheets and are grouped into the three levels of the fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices [unadjusted] in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3: unobservable inputs for the asset or liability.

The fair value of derivative financial instruments is determined using the Corporation's valuation models. These models project future cash flows and discount the future amounts to a present value using the contractual terms of the derivative instrument and factors observable in external markets data, such as period-end foreign exchange rates [Level 2 inputs].

2.18.2 Impairment

At the end of each reporting period, the Corporation assesses whether there is objective evidence of impairment of a financial asset classified under loans and receivables. Any impairment loss, measured as the difference between the carrying amount and the current fair value, is recognized in the consolidated statements of net loss and comprehensive loss.

2.19 New accounting pronouncements

Standards issued but not yet effective

The Corporation has not yet completed its assessment of the impact of the adoption of these pronouncements on its consolidated financial statements:

- IFRS 9, *Financial Instruments*, is required to be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted. IFRS 9 simplifies the measurement and classification of financial assets by reducing the number of measurement categories in IAS 39, *Financial Instruments: Recognition and Measurement*. The new standard also provides for a fair value option in the designation of a non-derivative financial liability and its related classification and measurement, as well as for a new hedge accounting model more closely aligned with risk management activities undertaken by entities.

- IFRS 15, *Revenue from Contracts with Customers*, is required to be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted. IFRS 15 specifies how and when an entity will recognize revenue as well as requiring such entities to provide users of financial statements with more informative disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers.

[Amounts are in thousands of Canadian dollars, except share, warrant, option, per-share and per-option amounts]

For the Corporation, the standard is effective on April 1, 2018, and as a result, IFRS 15 will be adopted in the first quarter of fiscal year 2019. The majority of the revenues of the Corporation are generated from the sales of motion systems to clients in the entertainment market and clients in the simulation and training market. The Corporation anticipates that the allocation of the transaction price to future performance obligations in certain contracts will change. This change will result in the recognition of different amounts of revenue for each performance obligation and will affect the timing of such revenue recognition. The Corporation is also assessing whether there is a significant financing component on contracts where timing of cash receipts and revenue recognition differ substantially. The Corporation is in the process of finalizing the analysis of the monetary impact of this transition.

· IFRS 16, *Leases*, is required to be applied retrospectively for annual periods beginning on or after January 1, 2019, with early adoption permitted provided that the IFRS 15 has been applied or is applied at the same time as IFRS 16. IFRS 16 sets out the new principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. The standard provides lessees with a single accounting model for all leases, with certain exemptions. In particular, lessees will be required to report most leases on their balance sheets by recognizing right-of-use assets and related financial liabilities.

3. ACCOUNTS RECEIVABLE

	2018 $	**2017** $
Trade accounts receivable	**4,693**	5,343
Allowance for doubtful accounts	**(65)**	(33)
	4,628	5,310
Investment tax credits	**275**	73
Commodity taxes receivable	**337**	120
Government assistance receivable	**15**	14
	5,255	5,517

4. INVENTORIES

	2018 $	**2017** $
Parts and components	**5,176**	6,050
Finished goods	**2,585**	2,284
	7,761	8,334

Inventories charged to cost of goods sold amounted to $13,351 in 2018 [$11,494 in 2017].

During the year, an impairment charge of $372 in 2018 [$96 in 2017] was recognized in connection with certain inventories.

[Amounts are in thousands of Canadian dollars, except share, warrant, option, per-share and per-option amounts]

5. PROPERTY AND EQUIPMENT

Cost	**2017**	**Additions**	**Disposals and write-off**	**Other changes**	**2018**
	$	$	$	$	$
Goods held for lease	**14,837**	**804**	**—**	**(646)** (1)	**14,995**
Furniture and fixtures	**329**	**32**	**—**	**—**	**361**
Machinery and equipment	**520**	**198**	**(12)**	**—**	**706**
Computer hardware	**1,484**	**185**	**(2)**	**—**	**1,666**
Trade show stands	**1,457**	**10**	**—**	**(56)** (2)	**1,411**
Leasehold improvements	**1,370**	**171**	**—**	**—**	**1,543**
	19,997	**1,400**	**(14)**	**(702)**	**20,681**

(1) Includes goods held for lease transferred to inventories during fiscal 2018 in the amount of $386 and a foreign exchange loss of $260.

(2) Includes the cost of trade show stands transferred to inventories during fiscal 2018 in the amount of $27 and a foreign exchange loss of $29.

Accumulated amortization	**2017**	**Amortization**	**Disposals and write-off**	**Other changes**	**2018**
	$	$	$	$	$
Goods held for lease	**8,240**	**1,478**	**—**	**(573)** (1)	**9,145**
Furniture and fixtures	**200**	**32**	**—**	**—**	**232**
Machinery and equipment	**340**	**72**	**(12)**	**—**	**400**
Computer hardware	**863**	**274**	**(1)**	**—**	**1,136**
Trade show stands	**1,043**	**120**	**—**	**(46)** (2)	**1,117**
Leasehold improvements	**868**	**356**	**—**	**—**	**1,224**
	11,554	**2,332**	**(13)**	**(619)**	**13,254**
Net carrying amount	**8,443**				**7,427**

(1) Includes the accumulated amortization of goods held for lease transferred to inventories during fiscal 2018 in the amount of $386 and a foreign exchange loss of $187.

(2) Includes the accumulated amortization of trade show stands transferred to inventories during fiscal 2018 in the amount of $27 and a foreign exchange loss of $19.

Cost	**2016**	**Additions**	**Disposals and write-off**	**Other changes**	**2017**
	$	$	$	$	$
Goods held for lease	12,006	2,956	—	(125) (1)	14,837
Furniture and fixtures	310	19	—	—	329
Machinery and equipment	510	10	—	—	520
Computer hardware	1,117	380	—	(13)	1,484
Trade show stands	1,396	53	—	8 (2)	1,457
Leasehold improvements	1,139	231	—	—	1,370
	16,478	3,649	—	(130)	19,997

(1) Includes goods held for lease transferred to inventories during fiscal 2017 in the amount of $322 and a foreign exchange gain of $208.

(2) Includes the cost of trade show stands transferred to inventories during fiscal 2017 in the amount of $14 and a foreign exchange gain of $23.

[Amounts are in thousands of Canadian dollars, except share, warrant, option, per-share and per-option amounts]

Accumulated amortization	2016	Amortization	Disposals and write-off	Other changes	2017
	$	$	$	$	$
Goods held for lease	6,905	1,510	—	(175) (1)	8,240
Furniture and fixtures	171	29	—	—	200
Machinery and equipment	280	60	—	—	340
Computer hardware	638	232	—	(7)	863
Trade show stands	908	135	—	— (2)	1,043
Leasehold improvements	636	232	—	—	868
	9,538	2,198	—	(182)	11,554
Net carrying amount	6,940				8,443

(1) Includes the accumulated amortization of goods held for lease transferred to inventories during fiscal 2017 in the amount of $316 and a foreign exchange loss of $143.

(2) Includes the accumulated amortization of trade show stands transferred to inventories during fiscal 2017 in the amount of $14 and a foreign exchange loss of $14.

The allocation of amortization to the various items in the statements of net loss and other comprehensive loss is disclosed in note 12.

6. INTANGIBLE ASSETS

Cost	2017	Additions	Disposals and write-off	2018
	$	$	$	$
Patents	**1,715**	**125**	**—**	**1,840**
D-BOX motion technology *	**3,228**	**557(1)**	**(237)**	**3,548**
Software	**1,150**	**164**	**—**	**1,314**
	6,093	**846**	**(237)**	**6,702**

* Internally generated intangible assets

(1) This amount is reduced by a $8 investment tax credit.

Accumulated amortization	2017	Amortization	Disposals and write-off	2018
	$	$	$	$
Patents	**1,333**	**153**	**—**	**1,486**
D-BOX motion technology	**709**	**431**	**(92)**	**1,048**
Software	**802**	**164**	**—**	**966**
	2,844	**748**	**(92)**	**3,500**
Net carrying amount	**3,249**			**3,202**

[Amounts are in thousands of Canadian dollars, except share, warrant, option, per-share and per-option amounts]

Cost	**2016** $	**Additions** $	**Disposals and write-off** $	**2017** $
Patents	1,576	139	—	1,715
D-BOX motion technology *	1,858	1,370 (1)	—	3,228
Software	918	232	—	1,150
	4,352	1,741	—	6,093

* Internally generated intangible assets

(1) This amount is reduced by a $67 investment tax credit.

Accumulated amortization	**2016** $	**Amortization** $	**Disposals and write-off** $	**2017** $
Patents	1,174	159	—	1,333
D-BOX motion technology	403	306	—	709
Software	665	137	—	802
	2,242	602	—	2,844
Net carrying amount	2,110			3,249

The allocation of amortization to the various items in the statement of net loss and other comprehensive loss is disclosed in note 12. No impairment loss was recognized during fiscal 2018 and 2017.

7. OTHER ASSETS

	2018 **$**	**2017** **$**
Trade accounts receivable (1)	**70**	—
Movie theatre motion systems (2)	**4**	9
	74	9

(1) Trade accounts receivable are non-interest bearing and are due between 2020 and 2021.

(2) The cost of motion systems sold to movie theatres was recognized in other assets in the consolidated balance sheets of the Corporation as the revenue recognition criteria were not fully met. During fiscal 2018, the amortization expense of these systems charged to cost of goods sold amounted to $5 [$9 in 2017].

[Amounts are in thousands of Canadian dollars, except share, warrant, option, per-share and per-option amounts]

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2018 $	2017 $
Trade accounts payable	**2,616**	1,515
Accrued liabilities	**3,576**	3,375
Credit facility(1)	**100**	60
Income taxes	**55**	56
	6,347	5,006

(1) As at March 31, 2018, the Corporation had a bank credit facility secured by a senior deposit in the amount of $395 [$320 as at March 31, 2017] accessible in the form of cash advances on credit cards, which charged variable interest rates ranging from 15.49% to 19.99% for 2018 and 14.49% to 19.15% for 2017.

9. SHARE-BASED PAYMENT LIABILITY

In June 2016, a restricted share unit plan [“RSU”] and a deferred share unit plan [“DSU”] were adopted by the Board of Directors. The liability resulting from these share unit plans will be measured at fair value of the underlying share price for each unit at the grant date and measured again at the end of each reporting period and at settlement date. Any change in fair value will be recognized in the consolidated statements of net loss and other comprehensive loss.

	2018		2017	
	RSU Share Units	**DSU Share Units**	**RSU Share Units**	**DSU Share Units**
Balance at beginning of year	530,000	560,000	—	—
Units issued	—	—	550,000	560,000
Units redeemed for cash	(60,000)	(160,000)	(20,000)	—
Balance at end of year	470,000	400,000	530,000	560,000
Units exercisable at end of year	—	400,000	—	420,000

RSU share units vest three years after the grant date and are redeemed for cash or shares at the vesting date or under certain conditions. Unvested DSU share units vest 12 months after the grant date and are redeemed for cash or shares upon cessation of participant service for all vested units.

For the year ended March 31, 2018, the share-based payment expense credited to income amounted to ($20) [$250 in 2017]. An amount of $96 was accounted for in accounts payable and accrued liabilities for the current portion [$199 in 2017] and $65 was accounted for the non-current portion under share-based payment liabilities [$51 in 2017].

[Amounts are in thousands of Canadian dollars, except share, warrant, option, per-share and per-option amounts]

10. LONG-TERM DEBT

	2018 $	2017 $
Loan	**4,693**	4,549

On August 5, 2015, the Corporation issued a loan and 4,500,000 warrants for proceeds of $4,869, net of financing fees of $131. Each warrant entitles its holder to purchase one Class A common share at $0.50 per share for a 48-month period ending August 5, 2019.

The loan bears interest under specific conditions at a rate of either 7% or 10% and matures on February 5, 2020. Interest is payable quarterly and the principal is repayable at any time by the Corporation and is payable in full on the maturity date. The loan is secured and contains certain restrictions, including limitations on the Corporation's ability to incur additional indebtedness, pay dividends and make other distributions. The loan is guaranteed by a general pledge and security agreement against the assets, except for the intellectual property, of the Corporation and its subsidiary.

An amount of gross proceeds of $527, net of financing fees, was allocated to the warrants. Financing fees related to long-term debt are capitalized as a reduction of long-term debt and amortized using the effective interest method. Financing fees related to warrants are capitalized as a reduction of equity.

On March 31, 2018 and 2017, the effective interest rate of long-term debt was 10.7% and the Corporation was in compliance with all debt covenants.

For the year ended March 31, 2018, interest expense on long-term debt charged to income amounted to $494 [$479 in 2017], including an amount of $144 [$129 in 2017] related to the accretion of interest.

As at March 31, 2018, the fair value of long-term debt approximates its carrying value because the terms and conditions are comparable to current market terms and conditions.

11. EQUITY

11.1 *Share Capital*

11.1.1 Authorized

Unlimited number of Class A common shares without par value, voting and participating.

Class B preferred shares, issuable in series, ranking senior to Class A common shares. The directors are entitled to determine the number of shares per series and their characteristics [rights, privileges and restrictions].

[Amounts are in thousands of Canadian dollars, except share, warrant, option, per-share and per-option amounts]

11.1.2 Issued

Changes in Class A common shares of the Corporation are shown in the following table:

	2018		2017	
	#	$	#	$
Balance at beginning of year	**175,950,573**	**62,762**	174,928,906	62,254
Shares issued on exercise of options	—	—	1,021,667	508
Balance at end of year	**175,950,573**	**62,762**	175,950,573	62,762

11.2 *Share-based Payment Plan*

In 1999, the Board of Directors of the Corporation established a stock option plan [the "1999 Plan"] for the directors, officers, employees and consultants of the Corporation and its subsidiary. The plan was amended several times over the years, in particular, to: [i] set the maximum number of Class A common shares that may be issued under the 1999 Plan at 10% of the total number of common shares issued and outstanding; and [ii] extend the maximum term of options that may be granted under the 1999 Plan to ten years.

In 2011, the Board of Directors repealed the 1999 Plan and established a new stock option plan [the "2011 Plan"].

The material terms and conditions of the 2011 Plan are as follows:

[i] The maximum number of Class A common shares in respect of which options may be outstanding at any time under the 2011 Plan, together with shares reserved for issuance or covered by stock options under all other share-based compensation arrangements of the Corporation, must not exceed 10% of the shares issued and outstanding at that time;

[ii] An option may be granted to an option holder under the 2011 Plan only if the total number of Class A common shares [a] that are issued in favour of the Corporation's "insiders" during any one-year period and [b] that may be issued in favour of such "insiders" at any time under the 2011 Plan or combined with all other share-based compensation agreements of the Corporation, does not exceed 10% of the total number of issued and outstanding Class A common shares;

[iii] The exercise price of options is determined by the Board of Directors at the time options are granted, but may not be less than the weighted-average price of all of the Class A common shares of the Corporation traded on the Toronto Stock Exchange during the five days immediately preceding the day on which the option is granted;

[iv] The vesting period of options is determined by the Board of Directors at the time options are granted. If the vesting pattern is not established at the time an option is granted, such option will be deemed to vest over a period of 36 months in three equal instalments of 33⅓% vesting at 12-month intervals;

[Amounts are in thousands of Canadian dollars, except share, warrant, option, per-share and per-option amounts]

[v] Options expire on the date set by the Board of Directors at the time options are granted, which date may not be more than 10 years after the grant date.

As at March 31, 2018, a maximum of 17,595,057 options [17,595,057 in 2017] were issuable.

The following tables summarize the changes in the Corporation's stock option plan and information on options outstanding as at March 31:

	2018		2017	
	Number #	**Weighted average exercise price** $	**Number** #	**Weighted average exercise price** $
Balance, beginning of year	**13,895,845**	**0.37**	15,126,845	0.37
Options granted	**1,580,755**	**0.34**	1,150,000	0.57
Options cancelled	**(426,666)**	**0.42**	(1,359,333)	0.57
Options exercised	**—**	**—**	(1,021,667)	0.29
Balance, end of year	**15,049,934**	**0.37**	13,895,845	0.37

	Options outstanding			**Options exercisable**	
Range of exercise prices $	**Number of options** #	**Weighted average remaining life** [in years]	**Weighted average exercise price** $	**Number of options** #	**Weighted average exercise price** $
0.18 – 0.27	5,340,034	5.48	0.21	5,340,034	0.21
0.28 – 0.42	6,061,233	4.47	0.36	4,647,144	0.37
0.43 – 0.65	3,648,667	3.92	0.62	3,282,000	0.63
	15,049,934	4.69	0.37	13,269,178	0.37

The fair value of the options granted during fiscal 2018 and 2017 was estimated at the date of grant using the Black-Scholes option pricing model based on the following assumptions for 2018: 1.42% weighted average risk-free interest rate [1.08% in 2017]; no dividends; 69.5% weighted average volatility factor of the expected market price of the Corporation's shares [72.6% in 2017]; 4.39% weighted average forfeiture rate [3.72% in 2017]; $0.33 weighted average share price [$0.57 in 2017]; and a 6.4 year expected weighted average option life [6.4 years in 2017]. The expected life of stock options is based on historical data and is not necessarily indicative of exercise patterns that might occur. The expected volatility reflects the assumption that historical volatility over a term similar to the option term is indicative of future trends, which might not be the case. The weighted average of the estimated fair values at the grant date of the options awarded during the year is $0.21 per option [$0.37 per option in 2017], amortized through income (loss) over the vesting periods of the options. For the year ended March 31, 2018, the share-based payment expense charged to income amounted to $226 [$132 in 2017] with a corresponding amount recognized under the share-based payments reserve.

[Amounts are in thousands of Canadian dollars, except share, warrant, option, per-share and per-option amounts]

11.3 Warrants

Warrants for the year ended March 31, 2018 and 2017 are summarized in the following table:

	2018		2017	
	Number	Exercise Price $	Number	Exercise Price $
Expired on June 18, 2017 [(a)]	**—**	**—**	8,333,333	0.60
Expiring on August 5, 2019	**4,500,000**	**0.50**	4,500,000	0.50
Expiring on December 22, 2022	**2,000,000**	**[(b)]**	2,000,000	[(b)]
Balance, end of year	**6,500,000**		14,833,333	

(a) On June 18, 2017, 8,333,333 warrants expired. An amount of $431, representing the initial fair value of the warrants, was credited to the deficit and deducted from the warrants reserve.

(b) The exercise price represents the volume weighted average price of the Class A common shares on the Toronto Stock Exchange for the five trading days prior to the exercise date of the warrants. No warrants were vested as at March 31, 2018.

12. SUPPLEMENTARY INFORMATION ON THE CONSOLIDATED STATEMENTS OF NET LOSS AND OTHER COMPREHENSIVE LOSS

12.1 Cost of goods sold and other expenses

Cost of goods sold and other expenses include:

	2018 $	2017 $
Amortization of property and equipment *[note 5]*	**2,332**	2,198
Amortization of intangible assets *[note 6]*	**748**	602
Amortization of other assets *[note 7]*	**5**	9
Rent	**502**	417
Loss on derivative financial instruments	**42**	55
Investment tax credits	**(326)**	(15)
Government assistance	**(66)**	(54)

[Amounts are in thousands of Canadian dollars, except share, warrant, option, per-share and per-option amounts]

12.2 Revenue allocation

Revenues are geographically allocated as follows:

	2018 $	2017 $
United States	**12,727**	8,085
Canada	**8,236**	6,354
Europe	**6,662**	6,958
Asia	**6,105**	6,606
South America	**1,239**	2,791
Africa	**212**	99
Oceania	**108**	55
Central America	**75**	232
Middle East	**51**	229
Other countries	**63**	—
	35,478	31,409

Revenues are allocated by country based on the client's location.

12.3 Cost of goods sold excluding amortization

The key components of costs of goods sold excluding amortization are detailed as follows:

	2018 $	2017 $
Cost of parts and components *[note 4]*	**13,351**	11,494
Employee costs	**665**	769
Professional fees	**281**	304
Other	**1,134**	723
	15,431	13,290

[Amounts are in thousands of Canadian dollars, except share, warrant, option, per-share and per-option amounts]

12.4 Selling and marketing

The key components of selling and marketing expenses are detailed as follows:

	2018 **$**	**2017** **$**
Employee costs	**6,014**	5,089
Professional fees	**1,283**	1,462
Advertising, travel and trade show	**1,352**	2,176
Amortization of property and equipment	**182**	192
Restructuring costs	**17**	261
Other	**953**	987
	9,801	10,167

12.5 Administration

The key components of administration expenses are detailed as follows:

	2018 **$**	**2017** **$**
Employee costs	**3,525**	3,047
Professional fees	**916**	742
Amortization of property and equipment and intangible assets	**757**	566
Restructuring costs	**240**	31
Other	**1,240**	1,286
	6,678	5,672

12.6 Research and development

The key components of research and development expenses are detailed as follows:

	2018 **$**	**2017** **$**
Employee costs	**2,174**	1,685
Professional fees	**94**	181
Amortization of property and equipment and intangible assets	**160**	165
Restructuring costs	**—**	141
Other	**295**	664
	2,723	2,836

[Amounts are in thousands of Canadian dollars, except share, warrant, option, per-share and per-option amounts]

12.7 Key management personnel compensation

The management personnel comprise members of the Board of Directors and key senior management of the Corporation and its subsidiary. Their compensation is as follows:

	2018 **$**	**2017** **$**
Salaries and short-term benefits	**1,970**	1,915
Long-term employee benefits	**293**	203
Share-based payments	**278**	309
	2,541	2,427

13. INCOME TAXES

13.1 Current income taxes

The income taxes reported in the consolidated statements of net loss and other comprehensive loss stem from the accounts of the U.S. subsidiary. The reconciliation between the income tax expense [or recovery] and the income tax amount computed by applying Canadian statutory income tax rates is as follows:

	2018 **%**	**2017** **%**
Income tax recovery using Canadian statutory rates	**26.8**	26.9
Change in income taxes resulting from:		
Effect of difference in foreign tax rate	**(6.4)**	0.1
Non-deductible expenses and other differences	**(2.9)**	(5.7)
Expired loss carry-forwards	—	—
Unrecognized tax benefits of operating losses and other deductions	**(17.7)**	(15.9)
Reduced future tax rate in Québec	—	(5.6)
	(0.2)	(0.2)

[Amounts are in thousands of Canadian dollars, except share, warrant, option, per-share and per-option amounts]

13.2 Deferred income taxes

The key components of the Corporation's deferred income tax asset and liability are as follows:

	2018 $		**2017 $**	
	Asset	**Liability**	**Asset**	**Liability**
Deferred income tax assets				
Net operating loss carry-forwards	**9,493**	—	10,111	—
Research and development expenditures	**2,303**	—	2,155	—
Carrying amounts of property and equipment below tax bases	**—**	**(936)**	—	(1,632)
Share issue costs and other differences	**330**	—	246	—
Total deferred income tax assets	**12,126**	**(936)**	12,512	(1,632)
Unrecognized deferred income tax assets	**(11,190)**	—	(10,880)	—
	936	**(936)**	1,632	(1,632)

The Corporation has accumulated net operating loss carry-forwards for federal, Québec, United States and China tax purposes, which are available to reduce future taxable income. These loss carry-forwards expire as follows:

	Federal $	**Québec** $	**United States** $	**China** $
2023	—	—	—	151
2024	—	—	—	—
2025	—	—	—	—
2026	1,760	1,705	—	—
2027	1,684	1,649	—	—
2028	4,350	4,347	—	—
2029	3,969	3,981	—	—
2030	4,789	4,802	—	—
2031	4,441	4,445	—	—
2032	4,002	4,002	1,622	—
2033	800	785	74	—
2034	—	—	—	—
2035	—	—	—	—
2036	2,150	2,211	—	—
2037	3,177	3,119	—	—
2038	2,155	2,185	—	—
	33,277	33,231	1,696	151

The Corporation has approximately $7,359 in scientific research and experimental development expenditures for federal tax purposes and $10,428 for Québec tax purposes available to reduce taxable income in future years and be carried forward over an unlimited period.

[Amounts are in thousands of Canadian dollars, except share, warrant, option, per-share and per-option amounts]

Finally, the non-recoverable portion of federal investment tax credits may be applied against future income taxes payable. These investment tax credits expire as follows:

	$
2021	67
2022	60
2023	45
2024	91
2025	159
2026	123
2027	132
2028	118
2029	217
2030	157
2031	177
2032	188
2033	204
2034	210
2035	66
2036	113
2037	113
2038	81
	2,321

14. COMMITMENTS

The Corporation rents premises and equipment under operating leases and has entered into long-term commitments to purchase services. The minimum payments for the coming years are as follows:

	Leases	**Other commitments**
	$	**$**
2019	325	46
2020 to 2022	467	1
	792	47

The Corporation's operating lease expenses amounted to $551 in 2018 [$451 in 2017] and has pledged the universality of movable property, both present and future, in favour of the lessors.

[Amounts are in thousands of Canadian dollars, except share, warrant, option, per-share and per-option amounts]

15. CAPITAL MANAGEMENT

The Corporation's definition of capital includes equity as well as the undrawn portion of its bank credit facility.

	2018 **$**	**2017** **$**
Undrawn bank credit facilities *[note 8]*	**295**	260
Equity	**22,097**	23,605
	22,392	23,865

To maximize its ongoing technology development and marketing initiatives, the Corporation does not pay any dividends.

The Corporation may use its credit facility through cash advances on credit cards.

16. FINANCIAL INSTRUMENTS

16.1 Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Corporation is exposed to interest rate risk due to fluctuations in interest rates on cash and cash equivalents that earn interest at market rates. The Corporation does not use derivative instruments to reduce its exposure to interest rate risk. On an annual basis, a 1% change in interest rates would have had a net impact of $101 on net loss and comprehensive loss [$89 as of March 31, 2017].

The Corporation manages its interest rate risk by maximizing the interest income earned on excess funds while maintaining the necessary liquidity to conduct its day-to-day operations. Cash equivalents consist of money market funds and other instruments with short-term maturities.

16.2 Credit risk

The Corporation is exposed to credit losses arising from payment defaults by third parties. The Corporation evaluates the creditworthiness of its clients in order to limit the amount of credit extended, where appropriate, and establishes an allowance for doubtful accounts sufficient to cover probable and reasonably estimated losses. Furthermore, the Corporation generally insures its accounts receivable balances with Export Development Canada. As at March 31, 2018, one client accounted for 14% of total trade accounts receivable and 46% of trade accounts receivable were 90% insured [as at March 31, 2017, one client accounted for 9% of total trade accounts receivable and 40% of trade accounts receivable were 90% insured]. Historically, the Corporation has never written off a significant amount of trade accounts receivable. Outstanding trade accounts receivable over 90 days past due stood at 18% as at March 31, 2018 [7% in 2017]. The allowance for doubtful accounts totalled $65 as at March 31, 2018 [$33 as at March 31, 2017]. Accounts receivable include investment tax credits and commodity taxes receivable, which are receivable from the government and are not exposed to significant credit risk. Cash and cash equivalents are contracted with a limited number of Canadian chartered banks.

Maximum exposure to credit risk for financial instruments is equal to their carrying amount as at March 31, 2018 and 2017.

The Corporation also made 16% and 11% of its total sales to two entertainment market clients [13% to one entertainment market client in 2017].

16.3 Foreign exchange risk

The Corporation is exposed to foreign exchange risk due to cash and cash equivalents, trade accounts receivable, deposits and accounts payable denominated in U.S. dollars. As at March 31, 2018, financial assets, consisting primarily of cash and cash equivalents, trade accounts receivable and deposits denominated in U.S. dollars, totalled $4,618, $3,057, and $96 respectively [$1,553, $2,346, and $200, respectively, as at March 31, 2017], and financial liabilities denominated in U.S. dollars totalled $1,018 [$1,030 as at March 31, 2017]. As at March 31, 2018, a 10% increase or decrease in the exchange rate between the U.S. dollar and the Canadian dollar would have had a $767 impact on net loss and comprehensive loss [$414 as at March 31, 2017].

Moreover, the Corporation uses derivative financial instruments to mitigate foreign exchange risk. The Corporation elected not to apply hedge accounting. However, the Corporation considers that those derivative instruments partially hedge the foreign exchange risk related to those transactions. As at March 31, 2018, the Corporation held foreign exchange contracts with a nominal value of US $1,925 [$2,000 as at March 31, 2017], allowing it to sell U.S. currency at Canadian dollar exchange rate of 1.2439 [1.3130 to 1.3116 as at March 31, 2017] maturing in April and May 2018 [June 30 to September 31, 2017].

16.4 Liquidity risk

Liquidity risk is the risk that the Corporation will be unable to meet its financial obligations as they become due. The Corporation manages its liquidity to allow for the settlement of liabilities when they become due by continuously monitoring actual and expected cash flows. In the past years, the Corporation financed its liquidity needs primarily by issuing debt and equity securities. The Corporation has sufficient liquidity to meet its working capital obligations and carry on its business for the next twelve months. As the Corporation is currently incurring operating losses, additional capital may be required to continue developing and marketing its technology.

As of March 31, 2018, the Corporation's financial liabilities had contractual maturities of under one year and consisted of accounts payable and accrued liabilities and derivative financial instruments, amounting to $6,364 [$4,980 as at March 31, 2017]. The loan bears interest payable quarterly at a rate of either 7% or 10% and matures on February 5, 2020.

17. CONTINGENCY

In the normal course of business, the Corporation is party to lawsuits and other claim proceedings. It is management's opinion that any resulting settlement would not have a material impact on the Corporation's financial position or operating results.