Consolidated Financial Statements

D-BOX Technologies Inc.

March 31, 2019

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.

<u>Signed:</u>

Claude Mc Master
President and Chief Executive Officer
Montréal, Canada

June 26, 2019

Independent auditor's report

To the Shareholders of
D-BOX Technologies Inc.

Opinion

We have audited the consolidated financial statements of D-BOX Technologies Inc. and its subsidiaries [the "Group"], which comprise the consolidated balance sheets as at March 31, 2019 and 2018, and the consolidated statements of net loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ["IFRS"].

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information included

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion & Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Patrick Bertrand-Daoust.

Ernst & Young LLP [1]

Montréal, Canada
June 26, 2019

[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	2019 $	2018 $
ASSETS	10		
Current assets			
Cash and cash equivalents		**9,635**	10,141
Accounts receivable	3	**6,462**	5,255
Inventories	4	**7,526**	7,761
Prepaid expenses and deposits	8	**906**	494
		24,529	23,651
Non-current assets			
Property and equipment	5, 14	**6,002**	7,427
Intangible assets	6	**3,165**	3,202
Other assets	7	**68**	74
		33,764	34,354
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	8	**6,608**	6,347
Derivative financial instruments	16.3	**126**	72
Warranty provision		**162**	237
Deferred revenues		**654**	347
Current portion of long-term debt	10	**4,853**	—
		12,403	7,003
Non-current liabilities			
Share-based compensation liability	9	**—**	65
Employee benefits		**838**	496
Long-term debt	10	**—**	4,693
		13,241	12,257
Equity			
Share capital	11.1	**62,762**	62,762
Share-based payments reserve	11.2	**5,534**	5,377
Warrants reserve	11.3	**528**	528
Foreign currency translation reserve		**(436)**	(410)
Deficit		**(47,865)**	(46,160)
		20,523	22,097
		33,764	34,354

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 COMPREHENSIVE LOSS

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

	Notes	2019 $	2018 $
Revenues	12.2		
Motion systems for:			
Entertainment market:			
Commercial theatres:			
System sales		**7,780**	10,021
Rights for use, rental and maintenance		**8,611**	8,427
		16,391	18,448
Home entertainment system sales		**915**	3,132
Themed entertainment system sales		**8,721**	7,666
		26,027	29,246
Simulation and training market		**8,137**	6,232
		34,164	35,478
Cost of goods sold excluding amortization	4, 12.3	**13,588**	15,431
Amortization related to cost of goods sold		**1,836**	1,986
Cost of goods sold		**15,424**	17,417
Gross profit		**18,740**	18,061
Other expenses			
Selling and marketing	12.4	**9,799**	9,801
Administration	12.5	**6,805**	6,678
Research and development	12.6	**2,968**	2,723
Foreign exchange loss		**334**	90
		19,906	19,292
Loss before financial expenses and income taxes		**(1,166)**	(1,231)
Financial expenses (income)			
Financial expenses		**609**	571
Interest income		**(80)**	(46)
		529	525
Loss before income taxes		**(1,695)**	(1,756)
Income taxes	13	**10**	5
Net loss		**(1,705)**	(1,761)
Items that will be reclassified to net loss in subsequent periods:			
Foreign currency translation gain (loss)		**(26)**	27
Comprehensive loss		**(1,731)**	(1,734)
Basic and diluted net loss per share		**(0.010)**	(0.010)
Weighted average number of common shares outstanding	11.1	**175,950,573**	175,950,573

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, 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)
Issue of share capital	11.1	—	—	—	—	—	—
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**
Net loss		—	—	—	—	**(1,705)**	**(1,705)**
Foreign currency translation loss		—	—	—	**(26)**	—	**(26)**
Comprehensive loss		—	—	—	**(26)**	**(1,705)**	**(1,731)**
Share-based payments	11.2	—	**157**	—	—	—	**157**
Balance as at March 31, 2019		**62,762**	**5,534**	**528**	**(436)**	**(47,865)**	**20,523**

See accompanying notes.

D-BOX Technologies Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	Notes	2019 $	2018 $
OPERATING ACTIVITIES			
Net loss		**(1,705)**	(1,761)
Items not affecting cash			
Amortization of property and equipment	5	**1,934**	2,332
Amortization of intangible assets	6	**800**	748
Amortization of other assets	7	**3**	5
Write-off of property and equipment	5	**—**	1
Write-off of intangible assets		**—**	145
Share-based payments	11.2	**157**	226
Unrealized foreign exchange loss (gain)		**66**	(211)
Share-based payment liability		**—**	14
Employee benefit liability		**343**	293
Accretion of interest expense	10	**160**	144
Cash flows from operations before changes in working capital items		**1,758**	1,936
Changes in working capital items:			
Accounts receivable		**(1,340)**	449
Inventories		**235**	573
Prepaid expenses and deposits		**(412)**	118
Goods held for lease		**(88)**	(804)
Other assets		**5**	(69)
Accounts payable and accrued liabilities		**(33)**	1,477
Derivative financial instruments		**54**	42
Warranty provision		**(75)**	113
Deferred revenues		**307**	(1,116)
		(1,347)	783
Cash flows relating to operating activities		**411**	2,719
INVESTING ACTIVITIES			
Additions to property and equipment		**(395)**	(589)
Disposal of property and equipment		**37**	—
Additions to intangible assets		**(714)**	(815)
Cash flows relating to investing activities		**(1,072)**	(1,404)
Effect of exchange rate fluctuations on cash and cash equivalents		**155**	(41)
Net change in cash and cash equivalents		**(506)**	1,274
Cash and cash equivalents, beginning of year		**10,141**	8,867
Cash and cash equivalents, end of year		**9,635**	10,141
Cash and cash equivalents consist of:			
Cash		**2,289**	3,143
Cash equivalents		**7,346**	6,998
Interest and income taxes included in operating activities:			
Interest paid		**350**	350
Income taxes paid		**80**	5

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 based on 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 26, 2019.

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.

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 the 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 gain (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 and comprehensive 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. These 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 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 the 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 costs 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.

Revenue is measured at the fair value of the consideration received or receivable, net of estimated discounts, and after eliminating intercompany sales. Discounts are estimated based on the most likely amount method and using contractual terms with customers.

Revenue from the sale of motion systems is recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps:

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

In general, revenues arising from sale of motion systems are recognized in income (loss) when the customer obtains control over the system. 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, which 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.

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

In addition to the above general principles, the Corporation applies specific revenue recognition for bill and hold transactions. When customers request a bill and hold, revenue is recognized when the customer 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 control is transferred to the customer, and the terms and collection experience on the related billings are consistent with all other sales.

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 the Corporation can demonstrate:

- the feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- The availability of resources to complete the development and to use or sell the intangible asset; and

- The ability to measure reliably the expenditure attributable to the intangible asset during its development phase.

Following initial recognition of capitalized development costs as an asset, the asset is carried at cost less accumulated amortization and accumulated impairment losses, if any. Amortization begins when development is complete and the asset is available for use.

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

A financial asset is classified and subsequently measured at amortized cost; fair value through other comprehensive income [“FVTOCI”]; or fair value through profit and loss [“FVTPL”]. The classification is based on two criteria: the Corporation’s business model for managing the assets; and whether the instruments’ contractual cash flows represent “solely payments of principal and interest” on the principal amount outstanding [the “SPPI criterion”]. The Corporation’s financial assets are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion and are classified and subsequently measured at amortized cost.

The financial assets classified and subsequently measured at amortized cost consist of cash, accounts receivable and deposits.

A financial liability is classified and subsequently measured at amortized cost or FVTPL. The Corporation’s financial liabilities measured at amortized cost consist of trade accounts payable, accrued liabilities, credit facility, share-based compensation liability, employee benefits and long-term debt and are classified as other financial liabilities. They are initially recognized at fair value, net of directly attributable transaction costs, and are subsequently carried at amortized cost using the effective interest method.

The Corporation's financial assets at FVTPL comprise derivative financial instruments. 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 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 of financial assets measures at amortized cost

The Corporation applies the simplified approach to measuring expected credit losses ["ECL"] which uses a lifetime expected loss allowance for all trade receivables. To measure the ECL, trade accounts receivable have been grouped based on shared risk characteristics and the days past due. The Corporation then apply an ECL based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Trade accounts receivable are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the debtor enters bankruptcy, is in significant financial difficulty or has failed to make contractual payments, unless the Corporation has reasonable and supportable information to demonstrate that a more lagging criterion is more appropriate.

2.18.3 Derecognition of financial assets and liabilities

Financial assets are derecognized when the rights to receive cash flows from the assets have expired or when substantially all the risks and rewards of ownership and cash flows have been transferred. A financial liability is derecognized when the obligation under the liability is discharged, canceled or expired. Gains and losses on derecognition are recognized within finance income and finance expenses, respectively

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

2.19 New accounting pronouncements

New accounting standards adopted in 2019

The Corporation adopted the following new accounting standards effective April 1, 2018.

IFRS 9, Financial Instruments

On April 1, 2018, the Corporation adopted IFRS 9, *Financial Instruments*, which 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 9 also introduces a new expected loss impairment model that will require timely recognition of expected credit losses. Specifically, entities will be required to account for expected credit losses when financial instruments are first recognized and to recognize full lifetime expected credit losses on a timely basis.

Effective April 1, 2018, the Corporation adopted IFRS 9 and this adoption did not have a material impact on the Corporation's consolidated financial statements. The measurement category of the Corporation's financial instruments comparing IAS 39 to IFRS 9 are as follows, with no transitional adjustment required:

Financial instrument	IAS 39 measurement	IFRS 9 measurement
Cash and cash equivalents	FVTPL	Amortized cost
Accounts receivable	Amortized cost [loans and receivables]	Amortized cost
Deposits	Amortized cost [loans and receivables]	Amortized cost
Accounts payable and accrued liabilities	Amortized cost [other liabilities]	Amortized cost
Credit facility	Amortized cost [other liabilities]	Amortized cost
Share-based payment liability	Amortized cost [other liabilities]	Amortized cost
Employee benefits	Amortized cost [other liabilities]	Amortized cost
Long-term debt	Amortized cost [other liabilities]	Amortized cost

IFRS 15, Revenue from Contracts with Customers

IFRS 15, *Revenue from contracts with customers* supersedes previous accounting standards for revenue, including IAS 11, *Construction Contracts*, and IAS 18, *Revenue*, and all existing IFRS revenue interpretations. IFRS 15 introduced a single model for recognizing revenue from contracts with customers. This standard applies to all contracts with customers [with limited exceptions], regardless of the type of revenue transaction or the industry. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services.

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

Effective April 1, 2018, the Corporation adopted IFRS 15 using the full retrospective method and this adoption did not have a material impact on the Corporation's consolidated financial statements and the timing of revenue recognition policies. Consequently, the Corporation's revenue continues to be recognized at a point in time when performance obligations under the customers' contracts are fulfilled, generally upon delivery of goods or on commercial usage of motion systems.

Standards issued but not yet effective

IFRS 16, Leases

The IASB has issued *IFRS 16, Leases,* which is required to be applied retrospectively for annual periods beginning on or after January 1, 2019. IFRS 16 replaces IAS 17 *Leases* and related interpretation. Under this new standard, which provides a single model for leases abolishing the current distinction between finance leases and operating leases, most leases will be recognized in the consolidated balance sheet. Certain exemptions will apply for short-term leases and for low-value assets.

The Corporation plans to adopt the modified retrospective approach on April 1, 2019 without restatement of the comparative figures and measure the right-of-use asset at its carrying amount as if IFRS 16 had been applied since the adoption date. The Corporation will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms end within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

The Corporation anticipates that the adoption of IFRS 16 will have a material impact on its consolidated financial statements as nearly all operating leases will be capitalized with a corresponding liability, while the rent expense will be replaced by the amortization of the right to use the related assets, and interest accretion expense from the liabilities will be recorded. The Corporation is currently finalizing its assessment of the financial impact of this new standard on its consolidated financial statements.

3. ACCOUNTS RECEIVABLE

	2019 $	**2018** $
Trade accounts receivable	**5,821**	4,693
Allowance for expected credit loss	**(74)**	(65)
	5,747	4,628
Investment tax credits	**443**	275
Commodity taxes receivable	**207**	337
Government assistance receivable	**65**	15
	6,462	5,255

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

4. INVENTORIES

	2019 $	**2018** $
Parts and components	**5,896**	5,176
Finished goods	**1,630**	2,585
	7,526	7,761

Inventories charged to cost of goods sold amounted to $11,466 in 2019 [$13,351 in 2018].

During the year, an impairment charge of $59 in 2019 [$372 in 2018] was recognized in connection with certain inventories.

5. PROPERTY AND EQUIPMENT

Cost	**2018** $	**Additions** $	**Disposals and write-off** $	**Other changes** $	**2019** $
Goods held for lease	**14,995**	**313**	**(683)**	**(202)** (1)	**14,423**
Furniture and fixtures	**361**	**3**	**—**	**—**	**364**
Machinery and equipment	**706**	**16**	**—**	**—**	**722**
Computer hardware	**1,641**	**111**	**—**	**—**	**1,752**
Trade show stands	**1,435**	**35**	**(54)**	**(51)** (2)	**1,365**
Leasehold improvements	**1,542**	**16**	**—**	**—**	**1,558**
	20,680	**494**	**(737)**	**(253)**	**20,184**

(1) Includes goods held for lease transferred to inventories during fiscal 2019 in the amount of $489 and a foreign exchange gain of $287.

(2) Includes the cost of trade show stands transferred to inventories during fiscal 2019 in the amount of $84 and a foreign exchange gain of $33.

(3)

Accumulated amortization	**2018** $	**Amortization** $	**Disposals and write-off** $	**Other changes** $	**2019** $
Goods held for lease	**9,143**	**1,242**	**(673)**	**(226)** (1)	**9,486**
Furniture and fixtures	**232**	**31**	**—**	**—**	**263**
Machinery and equipment	**401**	**100**	**—**	**—**	**501**
Computer hardware	**1,134**	**254**	**—**	**—**	**1,388**
Trade show stands	**1,119**	**73**	**(51)**	**(55)** (2)	**1,086**
Leasehold improvements	**1,224**	**234**	**—**	**—**	**1,458**
	13,253	**1,934**	**(724)**	**(281)**	**14,182**
Net carrying amount	**7,427**				**6,002**

(1) Includes the accumulated amortization of goods held for lease transferred to inventories during fiscal 2019 in the amount of $457 and a foreign exchange gain of $231.

(2) Includes the accumulated amortization of trade show stands transferred to inventories during fiscal 2019 in the amount of $80 and a foreign exchange gain of $25.

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

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	160	(3)	—	1,641
Trade show stands	1,457	34	—	(56) [(2)]	1435
Leasehold improvements	1,370	172	—	—	1,542
	19,997	1,400	(15)	(702)	20,680

(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	1,476	—	(573) [(1)]	9,143
Furniture and fixtures	200	32	—	—	232
Machinery and equipment	340	73	(12)	—	401
Computer hardware	863	273	(2)	—	1,134
Trade show stands	1,043	122	—	(46) [(2)]	1,119
Leasehold improvements	868	356	—	—	1,224
	11,554	2,332	(14)	(619)	13,253
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.

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

6. INTANGIBLE ASSETS

Cost	**2018**	**Additions**	**Disposals and write-off**	**2019**
	$	$	$	$
Patents	**1,840**	**206**	**—**	**2,046**
D-BOX motion technology *	**3,548**	**501**	**—**	**4,049**
Software	**1,314**	**56**	**—**	**1,370**
	6,702	**763**	**—**	**7,465**

* Internally generated intangible assets.

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

Accumulated amortization	2018	Amortization	Disposals and write-off	2019
	$	$	$	$
Patents	**1,486**	**159**	**—**	**1,645**
D-BOX motion technology	**1,048**	**491**	**—**	**1,539**
Software	**966**	**150**	**—**	**1,116**
	3,500	**800**	**—**	**4,300**
Net carrying amount	**3,202**			**3,165**

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 an $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

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

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

7. OTHER ASSETS

	2019 $	2018 $
Trade accounts receivable [1]	**67**	70
Movie theatre motion systems [2]	**1**	4
	68	74

[1] Trade accounts receivable are non-interest bearing and are due between 2021 and 2022.

[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 2019, the amortization expense of these systems charged to cost of goods sold amounted to $3 [$5 in 2018].

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2019 $	2018 $
Trade accounts payable	**2,467**	2,616
Accrued liabilities	**4,010**	3,576
Credit facility[1]	**78**	100
Income taxes	**53**	55
	6,608	6,347

[1] As at March 31, 2019, the Corporation had a bank credit facility secured by a senior deposit in the amount of $453 [$395 as at March 31, 2018] accessible in the form of cash advances on credit cards, which charged variable interest rates ranging from 15.49% to 19.99%.

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 is 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 comprehensive loss.

	2019		2018	
	RSU Share Units	**DSU Share Units**	**RSU Share Units**	**DSU Share Units**
Balance at beginning of year	470,000	400,000	530,000	560,000
Units redeemed for cash	—	(160,000)	(60,000)	(160,000)
Balance at end of year	470,000	240,000	470,000	400,000
Units exercisable at end of year	—	240,000	—	400,000

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. 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.

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

For the year ended March 31, 2019, the share-based payment expense credited to income amounted to ($29) [($20) in 2018]. An amount of $100 was accounted for in accounts payable and accrued liabilities for the current portion [$96 in 2018] and $0 was accounted for the non-current portion under share-based payment liabilities [$65 in 2018].

10. LONG-TERM DEBT

	2019 $	2018 $
Loan	**4,853**	4,693

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 subsidiaries.

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

On March 31, 2019 and 2018, 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, 2019, interest expense on long-term debt charged to income amounted to $510 [$494 in 2018], including an amount of $160 [$144 in 2018] related to the accretion of interest.

As at March 31, 2019, the fair value of long-term debt approximates its carrying value because the terms and conditions were comparable to current market terms and conditions.

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

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].

11.1.2 Issued

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

	2019		2018	
	#	$	#	$
Balance at beginning of year	**175,950,573**	**62,762**	175,950,573	62,762
Shares issued on exercise of options	—	—	—	—
Balance at end of year	**175,950,573**	**62,762**	175,950,573	62,762

11.2 *Share-based Payment Plan*

In 2011, the Board of Directors 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 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;

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

[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;

[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, 2019, a maximum of 17,595,057 options [17,595,057 in 2018] were issuable.

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

	2019		**2018**	
	Number #	**Weighted average exercise price** $	**Number** #	**Weighted average exercise price** $
Balance, beginning of year	**15,049,934**	**0.37**	13,895,845	0.37
Options granted	**1,707,500**	**0.19**	1,580,755	0.34
Options cancelled	**(950,334)**	**0.33**	(426,666)	0.42
Options exercised	**—**	**—**	—	—
Balance, end of year	**15,807,100**	**0.35**	15,049,934	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** $
0.16 – 0.27	6,622,534	5.70	0.20	5,055,034	0.20
0.28 – 0.42	5,670,566	3.29	0.36	4,916,730	0.37
0.43 – 0.65	3,514,000	2.85	0.62	3,330,667	0.62
	15,807,100	4.20	0.35	13,302,431	0.37

The fair value of the options granted during fiscal 2019 and 2018 was estimated at the date of grant using the Black-Scholes option pricing model based on the following assumptions for 2019: 1.99% weighted average risk-free interest rate [1.42% in 2018]; no dividends; 65.9% weighted average volatility factor of the expected market price of the Corporation's shares [69.5% in 2018]; 6.09% weighted average forfeiture rate [4.39% in 2018]; $0.19 weighted average share price [$0.33 in 2018]; and a 6.7-year expected weighted average option life [6.4 years in 2018]. 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 $0.12 per option

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

[$0.21 per option in 2018], amortized through income (loss) over the vesting periods of the options. For the year ended March 31, 2019, the share-based payment expense charged to income amounted to $157 [$226 in 2018] with a corresponding amount recognized under the share-based payments reserve.

11.3 Warrants

Warrants for the year ended March 31, 2019 and 2018 are summarized in the following table:

	2019		**2018**	
	Number \#	Exercise price $	Number \#	Exercise price $
Expired on June 18, 2017 [(a)]	**—**	**—**	—	—
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**		6,500,000	

(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.

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

12.1 Cost of goods sold and other expenses

Cost of goods sold and other expenses include:

	2019 **$**	**2018** **$**
Amortization of property and equipment *[note 5]*	**1,934**	2,332
Amortization of intangible assets *[note 6]*	**800**	748
Amortization of other assets *[note 7]*	**3**	5
Rent	**491**	502
Loss on derivative financial instruments	**54**	42
Investment tax credits	**(79)**	(326)
Government assistance	**(81)**	(66)

[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:

	2019 $	2018 $
United States	**10,038**	12,727
Canada	**8,282**	8,236
Europe	**7,344**	6,662
Asia	**6,566**	6,105
South America	**1,660**	1,239
Other countries	**274**	509
	34,164	35,478

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

12.3 Cost of goods sold excluding amortization

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

	2019 $	2018 $
Cost of parts and components *[note 4]*	**11,466**	13,351
Employee costs	**1,171**	665
Professional fees	**48**	281
Other	**903**	1,134
	13,588	15,431

12.4 Selling and marketing

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

	2019 $	2018 $
Employee costs	**6,129**	6,014
Professional fees	**890**	1,283
Advertising, travel and trade show	**1,539**	1,352
Amortization of property and equipment	**117**	182
Restructuring costs	—	17
Other	**1,124**	953
	9,799	9,801

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

12.5 Administration

The key components of administration expenses are detailed as follows:

	2019 **$**	**2018** **$**
Employee costs	**3,891**	3,525
Professional fees	**1,007**	916
Amortization of property and equipment and intangible assets	**619**	757
Restructuring costs	—	240
Other	**1,288**	1,240
	6,805	6,678

12.6 Research and development

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

	2019 **$**	**2018** **$**
Employee costs	**2,321**	2,174
Professional fees	**45**	94
Amortization of property and equipment and intangible assets	**165**	160
Other	**437**	295
	2,968	2,723

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 subsidiaries. Their compensation is as follows:

	2019 **$**	**2018** **$**
Salaries and short-term benefits	**2,155**	1,970
Long-term employee benefits	**337**	293
Share-based payments	**92**	278
	2,584	2,541

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

13. INCOME TAXES

13.1 Current income taxes

The income taxes reported in the consolidated statements of net loss and 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:

	2019 %	2018 %
Income tax recovery using Canadian statutory rates	**26.7**	26.8
Change in income taxes resulting from:		
Effect of difference in foreign tax rate	**3.4**	(6.4)
Non-deductible expenses and other differences	**(9.0)**	(2.9)
Unrecognized tax benefits of operating losses and other deductions	**(21.7)**	(17.7)
Reduced future tax rate in Quebec	**(0.6)**	(0.2)

13.2 Deferred income taxes

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

	2019 $		2018 $	
	Asset	**Liability**	**Asset**	**Liability**
Deferred income tax assets				
Net operating loss carry-forwards	**9,526**	—	9,493	—
Research and development expenditures	**2,387**	—	2,303	—
Carrying amounts of property and equipment below tax bases	**—**	**(887)**	—	(936)
Share issue costs and other differences	**377**	—	330	—
Total deferred income tax assets	**12,290**	**(887)**	12,126	(936)
Unrecognized deferred income tax assets	**(11,403)**	—	(11,190)	—
	887	**(887)**	936	(936)

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

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** $
2026	1,760	1,705	—	—
2027	1,684	1,649	—	—
2028	4,350	4,347	—	—
2029	3,969	3,981	—	—
2030	4,789	4,801	—	—
2031	4,441	4,445	—	—
2032	4,002	4,002	1,466	—
2033	800	785	77	—
2034	—	—	—	—
2035	—	—	—	—
2036	2,150	2,211	—	—
2037	2,211	2,032	—	—
2038	1,880	1,897	—	151
2039	1,669	1,728	—	116
	33,705	33,584	1,543	267

The Corporation has approximately $7,637 in scientific research and experimental development expenditures for federal tax purposes and $10,796 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	232
2038	81
2039	78
	2,518

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 **$**	**Other commitments** **$**
2020	321	34
2021 to 2022	568	34
	889	68

The Corporation’s operating lease expenses amounted to $567 in 2019 [$551 in 2018] and the Corporation 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, long-term debt as well as the undrawn portion of its bank credit facility.

	2019 **$**	**2018** **$**
Undrawn bank credit facility *[note 8]*	**375**	295
Long-term debt	**4,853**	4,693
Equity	**20,586**	22,097
	25,814	27,085

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 $96 on net loss and comprehensive loss [$101 as of March 31, 2018].

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 expected credit loss 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, 2019, one client accounted for 14% of total trade accounts receivable and 54% of trade accounts receivable were 90% insured [as at March 31, 2018, one client accounted for 14% of total trade accounts receivable and 46% 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 6% as at March 31, 2019 [18% in 2018]. The allowance for expected credit loss totalled $74 as at March 31, 2019 [$65 as at March 31, 2018]. 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, 2019 and 2018.

The Corporation also made 11% and 10% of its total sales to two entertainment market clients [16% and 11% to entertainment market clients in 2018].

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, 2019, financial assets, consisting primarily of cash and cash equivalents, trade accounts receivable and deposits denominated in U.S. dollars, totalled $1,642, $3,624, and $199 respectively [$4,618, $3,057, and $96, respectively, as at March 31, 2018], and financial liabilities denominated in U.S. dollars totalled $1,018 [$1,018 as at March 31, 2018]. As at March 31, 2019, a 10% increase or decrease in the exchange rate between the U.S. dollar and the Canadian dollar would have had a $633 impact on net loss and comprehensive loss [$767 as at March 31, 2018].

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, 2019, the Corporation held foreign exchange contracts with a nominal value of US $14,701 [$1,925 as at March 31, 2018], allowing it to sell U.S. currency at a Canadian dollar exchange rate of 1.26 to 1.3270 [1.2439 as at March 31, 2018] maturing from April 2019 to March 31, 2020 [April and May 2018].

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 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, 2019, the Corporation's financial liabilities had contractual maturities of under one year and consisted of accounts payable and accrued liabilities, derivative financial instruments and long-term debt amounting to $11,534 [$6,364 as at March 31, 2018]. The long-term debt 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.