Consolidated Financial Statements

D-BOX Technologies Inc.

March 31, 2014

MANAGEMENT REPORT

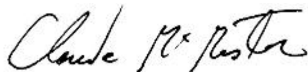
The accompanying consolidated financial statements of **D-BOX Technologies Inc.** and all the information in this management's discussion and analysis ["**MD&A**"] are the responsibility of management.

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 MD&A, the consolidated financial statements and the independent auditors' report. The Committee reports its findings to the Board for consideration when it approves the consolidated financial statements 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 10, 2014

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, 2014 and 2013, and the consolidated statements of net loss and other comprehensive loss, changes in equity and cash flows for the years ended March 31, 2014 and 2013, 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, 2014 and 2013 and its financial performance and its cash flows for the years ended March 31, 2014 and 2013 in accordance with International Financial Reporting Standards.

Ernst & Young s.r.l./S.E.N.C.R.L.

Ernst & Young LLP[1] (signed)

Montréal, Canada
June 10, 2014

[1] CPA auditor, CA, public accountancy permit no. A118111

D-BOX Technologies Inc.
CONSOLIDATED BALANCE SHEETS
As at March 31
(in thousands of Canadian dollars)

	Notes	**2014** **$**	2013 $
ASSETS	12		
Current assets			
Cash and cash equivalents		**6,717**	5,708
Accounts receivable	3	**3,347**	3,411
Inventories	4	**4,389**	4,578
Prepaid expenses and deposits		**313**	402
		14,766	14,099
Non-current assets			
Property, plant and equipment	5	**8,146**	9,481
Intangible assets	6	**1,128**	708
Other assets	7	**164**	249
		24,204	24,537
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	8	**3,071**	2,434
Derivative financial instruments	14.4	**42**	—
Warranty provision		**14**	14
Deferred revenues		**137**	83
		3,264	2,531
Equity			
Share capital	9.1	**57,714**	57,714
Share-based payment reserve	9.2	**4,605**	3,988
Accumulated exchange difference		**(106)**	(12)
Deficit		**(41,273)**	(39,684)
		20,940	22,006
		24,204	24,537

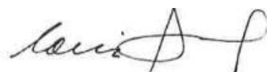
Commitments *[note 12]*

Contingency *[note 16]*

Subsequent event *[note 17]*

See accompanying notes.

On behalf of the Board,



Louis Brunel
Director

Claude Mc Master
Director

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

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

	Notes	2014 $	2013 $
Revenues	10.2		
Motion systems for:			
Industrial market		**7,003**	6,141
Entertainment market:			
Commercial theatres:			
System sales		**6,133**	4,206
Rights for use, rental and maintenance		**3,654**	2,545
		9,787	6,751
Home entertainment system sales		**803**	1,361
		10,590	8,112
		17,593	14,253
Cost of goods sold excluding amortization	10.3	**7,881**	6,209
Amortization related to cost of goods sold	7	**1,844**	1,743
Cost of goods sold		**9,725**	7,952
Gross profit		**7,868**	6,301
Other expenses			
Selling and marketing	10.4	**5,630**	4,832
Administration	10.5	**3,167**	2,962
Research and development	10.6	**1,297**	1,164
Foreign exchange gain		**(667)**	(74)
		9,427	8,884
Loss before financial expenses (income) and income taxes		**(1,559)**	(2,583)
Financial expenses (income)			
Financial expenses		**82**	51
Interest income		**(61)**	(65)
		21	(14)
Loss before income taxes		**(1,580)**	(2,569)
Income taxes	11	**9**	6
Net loss		**(1,589)**	(2,575)
Items that will be reclassified to net loss in subsequent periods:			
Foreign currency translation adjustment		**94**	15
Comprehensive loss		**(1,683)**	(2,590)
Basic and diluted net loss per share		**(0.0097)**	(0.0157)
Weighted average number of common shares outstanding	9.1	**163,781,129**	163,781,129

See accompanying notes.

D-BOX Technologies Inc.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(in thousands of Canadian dollars)
For the years ended March 31

	Notes	Share capital $	Share-based payment reserve $	Accumulated exchange difference $	Deficit $	Total $
Balance as at March 31, 2012		57,714	3,105	3	(37,109)	23,713
Net loss		—	—	—	(2,575)	(2,575)
Foreign currency translation adjustment		—	—	(15)	—	(15)
Comprehensive loss		—	—	(15)	(2,575)	(2,590)
Share-based payment expense	9.2	—	883	—	—	883
Balance as at March 31, 2013		57,714	3,988	(12)	(39,684)	22,006
Net loss		—	—	—	(1,589)	(1,589)
Foreign currency translation adjustment		—	—	(94)	—	(94)
Comprehensive loss		—	—	(94)	(1,589)	(1,683)
Share-based payment expense	9.2	—	617	—	—	617
Balance as at March 31, 2014		57,714	4,605	(106)	(41,273)	20,940

See accompanying notes.

D-BOX Technologies Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands of Canadian dollars)
For the years ended March 31

	Notes	2014 $	2013 $
OPERATING ACTIVITIES			
Net loss		**(1,589)**	(2,575)
Items not affecting cash			
Amortization of property, plant and equipment	5	**2,018**	2,005
Amortization of intangible assets	6	**290**	259
Amortization of other assets	7	**180**	85
Write-off of property, plant and equipment		**78**	—
Write-off of other assets		—	5
Write-off of intangible assets		—	4
Share-based payment expense	9.2	**617**	883
Unrealized foreign exchange loss (gain)		**(846)**	202
Cash flows from operations before changes in working capital items		**748**	868
Changes in working capital items:			
Accounts receivable		**1,150**	(1,037)
Inventories		**913**	151
Prepaid expenses and deposits		**89**	36
Goods held for lease		**(522)**	(2,952)
Other assets		**(95)**	(137)
Accounts payable and accrued liabilities		**(214)**	607
Foreign exchange contract		**42**	—
Warranty provision		—	(1)
Deferred revenues		**54**	(342)
		1,417	(3,675)
Cash flows relating to operating activities		**2,165**	(2,807)
INVESTING ACTIVITIES			
Additions to property, plant and equipment	5	**(378)**	(496)
Additions to intangible assets	6	**(710)**	(323)
Cash flows relating to investing activities		**(1,088)**	(819)
Effect of exchange rate fluctuations on cash and cash equivalents		**(68)**	14
Net change in cash and cash equivalents		**1,009**	(3,612)
Cash and cash equivalents, beginning of year		**5,708**	9,320
Cash and cash equivalents, end of year		**6,717**	5,708
Cash and cash equivalents consist of:			
Cash		**2,390**	1,094
Cash equivalents		**4,327**	4,614
Interest and income taxes included in operating activities:			
Income taxes paid (net of recoveries)		**9**	6
Interest paid		**2**	2

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 markets leading-edge technology motion systems for the entertainment and industrial markets. With its unique, patented technology, D-BOX uses motion effects specifically programmed for each visual content, which are sent to a motion generating system integrated within a platform, seat or other product. The resulting motion is perfectly synchronized with all onscreen action, creating an unmatched realistic immersive experience.

Based on the nature of the Corporation's clients, two significant markets have been identified: the entertainment and industrial markets. The entertainment market comprises motion systems installed in commercial theatres and home entertainment consumer products, particularly video games and home theatres. The industrial 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 10, 2014.

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"].

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments. 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 subsidiary, D-BOX USA INC., which uses the same accounting policies and fiscal year-end as the Corporation. All intercompany balances and transactions have been eliminated on consolidation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

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 valuation of property, plant and equipment and intangible assets, and the recognition of deferred tax assets and tax credits.

2.3.2.1 Property, plant and equipment and intangible assets

The ability to recover the value of property, plant and equipment and intangible assets is based on the assumption that the Corporation will be able to continue developing and marketing its motion technology and generate sufficient cash flows over the assets' useful lives. Numerous factors are taken into account, including general economic conditions, technological advancements, market acceptance of the Corporation's motion technology, entering into strategic alliances, competition and, where necessary, securing additional capital.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

2.3 Significant judgments and estimates [Cont'd]

2.3.2 Estimates [Cont'd]

2.3.2.2 Deferred tax assets and tax credits

Deferred tax assets and tax credits are measured by management using its estimate of the value of future taxable income against which the deductible temporary differences, unused tax loss carryforwards 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 strategies.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

2.4 Foreign currency translation [Cont'd]

2.4.2 Translation of the subsidiary's financial statements

The functional currency of the subsidiary D-BOX USA Inc. is the U.S. dollar. 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 adjustment 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 statement of net income (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 and 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

2.7 Property, plant and equipment, intangible assets and other assets

Property, plant and equipment and intangible assets are recorded at cost. Property, plant 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, plant and equipment		
Goods held for lease	Straight-line or based on commercial theatre ticket sales	Not exceeding 7 years
Furniture and fixtures	Straight-line	7 years
Machinery, equipment, computer hardware and trade show stands	Straight-line	3–7 years
Leasehold improvements	Straight-line	Lease term
Intangible assets		
Patents	Straight-line	Not exceeding 10 years
D-BOX motion technology	Straight-line	3–7 years
Software	Straight-line	4 years
Other assets		
Movie theatre motion systems	Based on commercial theatre ticket sales	Not exceeding 7 years

Each time events indicate a risk of impairment of property, plant 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, plant 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

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 Stock option 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.

2.10 Revenue recognition

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

2.10.1 Motion systems for industrial market clients

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

2.10.2 Motion systems for entertainment market clients

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

2.10 Revenue recognition [Cont'd]

2.10.2 Motion systems for entertainment market clients [Cont'd]

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.

2.10.2.1 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, plant 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 theatre ticket sales over a period not exceeding seven years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

2.10 Revenue recognition [Cont'd]

2.10.2.2 Rights for use of motion technology and maintenance

Revenues arising from motion technology use and maintenance agreements are recognized in income (loss) as they become due under the terms of the arrangement, that is, on commercial theatre tickets sales for the use of motion systems and when collection is reasonably assured. Costs relating to maintenance are recorded as cost of goods sold as incurred.

2.11 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.

2.12 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.

2.13 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

2.14 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 entity 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 entity'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.

2.15 Earnings (loss) per share

Basic earnings (loss) per common share is calculated by dividing the net income (loss) attributable to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is 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 were not included in the calculation of diluted loss per share because the Corporation sustained losses, and including stock options would have been antidilutive.

2.16 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 capital 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

2.17 Financial instruments

2.17.1 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 initially 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 and the credit facility 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 are classified as financial liabilities at fair value through profit or loss.

Derivative financial instruments consist of foreign exchange contracts [note 14. 4] and are accounted for at fair value with changes in fair value recognized in the statement of net income (loss) under "Loss on derivative financial instruments." 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 sheet 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

2.17 Financial instruments [Cont'd]

2.17.1 Classification, measurement and recognition [Cont'd]

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).

2.17.2 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 statement of net income (loss).

2.18 New accounting pronouncements

2.18.1 Adoption of new and revised standards

During the year, the Corporation adopted a number of new and revised IFRS whose adoption is mandatory for fiscal years beginning on or after January 1, 2013.

- IFRS 10, *Consolidated Financial Statements*
  The Corporation has adopted IFRS 10, *Consolidated Financial Statements*, which replaces SIC-12, *Consolidation – Special Purpose Entities*, and parts of IAS 27, *Consolidated and Separate Financial Statements*. This standard establishes control as the basis for consolidation. In addition, IFRS 10 includes a new definition of control. The adoption of IFRS 10 has had no impact on the Corporation's consolidated financial statements.

- IFRS 12, *Disclosure of Interests in Other Entities*
  The Corporation has adopted IFRS 12, *Disclosure of Interests in Other Entities*. This new standard brings together all disclosure guidance pertaining to subsidiaries, joint arrangements, associates and unconsolidated structured entities. The adoption of IFRS 12 has had no impact on the Corporation's consolidated financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

2.18 New accounting pronouncements [Cont'd]

2.18.1 Adoption of new and revised standards [Cont'd]

- IFRS 13, *Fair Value Measurement*
  The Corporation has adopted IFRS 13, *Fair Value Measurement*, which establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. IFRS 13 applies to both financial instruments and non-financial instruments when another IFRS requires or permits fair value measurements or disclosures about fair value measurements. This new standard defines fair value, sets out a framework for measuring fair value and requires disclosures about fair value measurements. The adoption of IFRS 13 has had no impact on the Corporation's fair value measurements.

- IAS 1, *Presentation of Financial Statements*
  In June 2011, IAS 1, *Presentation of Financial Statements* was amended to improve the presentation of other comprehensive income (loss) items.

  The Corporation adopted the amendments to IAS 1, *Presentation of Financial statements*, entitled *Presentation of Items of Other Comprehensive Income*. Those amendments introduce new terminology for the statement of income and the statement of comprehensive income. As a result, the consolidated statement of operations and comprehensive income (loss) has been renamed the "consolidated statement of income (loss) and other comprehensive income (loss)." This adoption resulted in changes in presentation only and had no impact on the Corporation's financial position and performance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

2.18 New accounting pronouncements [Cont'd]

2.18.2 Standards issued but not yet effective

The Corporation has not adopted the following standards or amendments to certain standards that have been issued but are not yet effective:

- IFRS 9, *Financial Instruments*

  The issuance of IFRS 9, *Financial Instruments*, is the first phase in a three-phase project to replace IAS 39, *Financial Instruments: Recognition and Measurement*. This first phase covers the classification and measurement of financial assets and financial liabilities. IFRS 9 requires financial assets to be classified as subsequently measured at amortized cost or fair value based on both the economic model that the entity follows to manage financial assets and the characteristics of the financial asset's contractual cash flows. The classification and measurement of financial liabilities are carried forward essentially unchanged from IAS 39.

  The remaining two phases of the project cover the impairment of financial assets and hedge accounting. In November 2013, amendments to IFRS 9 were issued to include a new general hedge accounting model, which will allow entities to better reflect risk management in the financial statements. The date for mandatory adoption of IFRS was deferred indefinitely. Early adoption remains permitted. The Corporation will complete its assessment of the impact of IFRS 9 on the consolidated financial statements once the various phases of this project are completed.

- Amendments to IAS 32, *Financial Instruments: Presentation*

  In December 2011, amendments to IAS 32, *Financial Instruments: Presentation*, were issued to clarify the application of offsetting criteria with regard to offsetting financial assets and financial liabilities. The amendments to IAS 32 will be effective for fiscal years beginning on or after January 1, 2014 with earlier adoption permitted. The Corporation is currently assessing the impact of adopting these new requirements on the consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

2.18 New accounting pronouncements [Cont'd]

2.18.2 Standards issued but not yet effective [Cont'd]

- Amendments to IAS 36, *Impairment of Assets*
  IAS 36, *Impairment of Assets*, has been revised to integrate the amendments issued in May 2013. Those amendments make it possible to better reflect a prior decision to require the recoverable amount of impaired assets to be reported along with other disclosures regarding the measurement of the recoverable amount of impaired assets in cases where said recoverable amount is based on fair value less costs of disposal, including the discount rate, when a discounting technique is used to determine the recoverable amount. Those amendments will be effective for fiscal years beginning on or after January 1, 2014 with earlier adoption permitted. The Corporation is currently assessing the impact of adopting these new requirements on the consolidated financial statements.

- *Annual Improvements to IFRSs 2010-2012 Cycle* and *Annual Improvements to IFRSs 2011-2013 Cycle*
  In December 2013, the *Annual Improvements to IFRSs 2010-2012 Cycle* and *Annual Improvements to IFRSs 2011-2013 Cycle* were issued, containing a number of amendments to various IFRS, such as IFRS 3, *Business Combinations*, IFRS 13, *Fair Value Measurement*, IAS 16, *Property, Plant and Equipment*, IAS 24, *Related Parties*, and IAS 38, *Intangible Assets*. Those amendments will be effective for fiscal years beginning on or after January 1, 2014. The Corporation is currently assessing the impact of adopting these new requirements on the consolidated financial statements.

3. ACCOUNTS RECEIVABLE

	2014	**2013**
	$	$
Trade accounts receivable	**2,784**	2,572
Allowance for doubtful accounts	**(36)**	(10)
Investment tax credits	**255**	518
Commodity taxes receivable	**338**	128
Government assistance receivable	**6**	203
	3,347	3,411

4. INVENTORIES

	2014 $	2013 $
Parts and components	**2,659**	3,064
Finished goods	**1,730**	1,514
	4,389	4,578

Inventories charged to cost of goods sold amounted to $7,881 in 2014 [$6,209 in 2013].

During the year, an impairment charge of $60 [$25 in 2013] was recognized in connection with certain inventories.

5. PROPERTY, PLANT AND EQUIPMENT

Cost	**March 31, 2013** $	**Additions** $	**Disposals** $	**Other changes** $	**March 31, 2014** $
Goods held for lease	**11,332**	**522**	—	**193**(1)	**12,047**
Furniture and fixtures	**189**	**28**	—	—	**217**
Machinery and equipment	**221**	**128**	—	—	**349**
Computer hardware	**519**	**118**	—	—	**637**
Trade show stands	**2,129**	**66**	—	**(361)**(2)	**1,834**
Leasehold improvements	**484**	**38**	—	—	**522**
	14,874	**900**	—	**(168)**	**15,606**

(1) Includes goods held for lease transferred to inventories during fiscal 2014 in the amount of $562 and a foreign exchange gain of $838.
(2) Includes the cost of trade show stands transferred to inventories during fiscal 2014 in the amount of $443 and a foreign exchange gain of $112.

Accumulated amortization	**March 31, 2013** $	**Amortization** $	**Disposals** $	**Other changes** $	**March 31, 2014** $
Goods held for lease	**3,296**	**1,645**	**—**	**182**(1)	**5,123**
Furniture and fixtures	**142**	**20**	—	—	**162**
Machinery and equipment	**187**	**20**	—	—	**207**
Computer hardware	**347**	**86**	—	—	**433**
Trade show stands	**942**	**230**	—	**(133)**(2)	**1,039**
Leasehold improvements	**479**	**17**	—	—	**496**
	5,393	**2,018**	—	**49**	**7,460**
Net carrying amount	**9,481**			**(217)**	**8,146**

(1) Includes the accumulated amortization of goods held for lease transferred to inventories during fiscal 2014 in the amount of $121 and a foreign exchange loss of $323.

(2) Includes the accumulated amortization of trade show stands transferred to inventories during fiscal 2014 in the amount of $160 and a foreign exchange loss of $38.

5. PROPERTY, PLANT AND EQUIPMENT [Cont'd]

Cost	March 31, 2012 $	Additions $	Disposals $	Other changes $	March 31, 2013 $
Goods held for lease	**8,325**	**2,952**	**—**	**55**[(1)]	**11,332**
Furniture and fixtures	**180**	**9**	**—**	**—**	**189**
Machinery and equipment	**220**	**1**	**—**	**—**	**221**
Computer hardware	**680**	**66**	**(227)**	**—**	**519**
Trade show stands	**1,707**	**415**	**(3)**	**10**[(2)]	**2,129**
Leasehold improvements	**479**	**5**	—	—	**484**
	11,591	**3,448**	**(230)**	**65**	**14,874**

(1) Includes goods held for lease transferred to inventories during fiscal 2013 in the amount of $78 and a foreign exchange gain of $133.

(2) Includes the cost of trade show stands transferred to inventories during fiscal 2013 in the amount of $12 and a foreign exchange gain of $22.

Accumulated amortization	March 31, 2012 $	Amortization $	Disposals $	Other changes $	March 31, 2013 $
Goods held for lease	**1,650**	**1,628**	**—**	**18**[(1)]	**3,296**
Furniture and fixtures	**122**	**20**	**—**	—	**142**
Machinery and equipment	**157**	**30**	**—**	—	**187**
Computer hardware	**492**	**82**	**(227)**	—	**347**
Trade show stands	**709**	**234**	**(3)**	**2**[(2)]	**942**
Leasehold improvements	**468**	**11**	—	—	**479**
	3,598	**2,005**	**(230)**	**20**	**5,393**
Net carrying amount	**7,993**				**9,481**

(1) Includes the accumulated amortization of goods held for lease transferred to inventories during fiscal 2013 in the amount of $24 and a foreign exchange loss of $42.

(2) Includes the accumulated amortization of trade show stands transferred to inventories during fiscal 2013 in the amount of $4 and a foreign exchange loss of $6.

The allocation of amortization to the various items in the statement of net loss and other comprehensive loss is disclosed in note 10. No impairment loss was recognized during fiscal 2014 and 2013.

6. INTANGIBLE ASSETS

Cost	**March 31, 2013** $	**Additions** $	**Disposals** $	**March 31, 2014** $
Patents	**1,091**	**163**	**—**	**1,254**
D-BOX motion technology	**105**	**414**[1]	**—**	**519**
Software	**536**	**133**	**—**	**669**
	1,732	**710**	**—**	**2,442**

[1] This amount is reduced by an $87 investment tax credit.

Accumulated amortization	**March 31, 2013** $	**Amortization** $	**Disposals** $	**March 31, 2014** $
Patents	**665**	**167**	**—**	**832**
D-BOX motion technology	**105**	**—**	**—**	**105**
Software	**254**	**123**	**—**	**377**
	1,024	**290**	**—**	**1,314**
	708			**1,128**

Cost	**March 31, 2012** $	**Additions** $	**Disposals** $	**March 31, 2013** $
Patents	**960**	**131**	**—**	**1,091**
D-BOX motion technology	**105**	**—**	**—**	**105**
Software	**374**	**192**	**(30)**	**536**
	1,439	**323**	**(30)**	**1,732**

Accumulated amortization	**March 31, 2012** $	**Amortization** $	**Disposals** $	**March 31, 2013** $
Patents	**505**	**160**	**—**	**665**
D-BOX motion technology	**105**	**—**	**—**	**105**
Software	**181**	**99**	(26)	**254**
	791	**259**	(26)	**1,024**
	648			**708**

The allocation of amortization to the various items in the statement of net loss and other comprehensive loss is disclosed in note 10. No impairment loss was recognized during fiscal 2014 and 2013.

7. OTHER ASSETS

	2014 $	2013 $
Movie theatre motion systems[(1)]		
Cost	**454**	477
Accumulated amortization	**(290)**	(228)
	164	249

(1) 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 2014, the amortization expense of these systems charged to cost of goods sold amounted to $180 [$85 in 2013] and the write-off charge related to systems amounted to $118 [nil in 2013].

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2014 $	2013 $
Trade accounts payable	**1,442**	865
Accrued liabilities	**1,575**	1,553
Credit facility[(1)]	**54**	16
	3,071	2,434

(1) As at March 31, 2014, the Corporation had a bank credit facility secured by a senior deposit in the amount of $186 [$186 as at March 31, 2013] accessible in the form of cash advances on credit cards, which charge variable interest rates.

9. EQUITY

9.1 *Share capital*

9.1.1 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].

9.1.2 Issued

The Corporation's Class A common shares numbered 163,781,129 for an amount of $57,714 as at March 31, 2014 and 2013, and there were no changes during the two fiscal years.

9. EQUITY [Cont'd]

9.2 *Stock option 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 ten percent (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 ten percent (10%) of the total number of issued and outstanding Class A 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 in respect 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 33 % 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.

9. EQUITY [Cont'd]

9.2 *Stock option plan [Cont'd]*

As at March 31, 2014 and 2013, a maximum of 16,378,112 options were issuable.

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

	2014		2013	
	Number #	Weighted average exercise price $	Number #	Weighted average exercise price $
Balance, beginning of year	**12,381,811**	**0.44**	11,125,811	0.47
Options granted	**5,352,534**	**0.20**	1,908,000	0.29
Options cancelled	**(2,057,000)**	**0.27**	(468,000)	0.50
Options expired	**(1,224,000)**	**0.40**	(184,000)	0.56
Options exercised	—	—	—	—
Balance, end of year	**14,453,345**	**0.38**	12,381,811	0.44

	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	5,337,534	9.40	0.20	—	—
0.28 – 0.42	5,049,811	6.58	0.37	3,907,808	0.39
0.43 – 0.65	4,066,000	6.90	0.62	2,882,332	0.61
	14,453,345	7.71	0.38	6,790,140	0.48

The fair value of the options granted during fiscal 2014 and 2013 was estimated at the date of grant using the Black-Scholes option pricing model based on the following assumptions for 2014: 1.65% weighted average risk-free interest rate [1.57% in 2013]; no dividends; 92.15% weighted average volatility factor of the expected market price of the Corporation's shares [97.84% in 2013]; 3.89% weighted average cancellation rate [3.37% in 2013]; $0.18 weighted average share price [$0.29 in 2013]; and a 5.7 year expected weighted average option life [5.4 years in 2013]. 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 of 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 $0.13 per option [$0.22 per option in 2013], amortized through income over the vesting periods of the options. For the year ended March 31, 2014, the share-based compensation expense charged to income amounted to $617 [$883 in 2013] with a corresponding amount recognized under share-based payment reserve.

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

10.1 Cost of goods sold and other expenses

Cost of goods sold and other expenses include:

	2014 $	2013 $
Amortization of property, plant and equipment *[note 5]*	**2,018**	2,005
Amortization of intangible assets *[note 6]*	**290**	259
Amortization of other assets *[note 7]*	**180**	85
Rent	**288**	278
Loss on derivative financial instruments	**42**	—
Investment tax credits	**(219)**	(362)
Government assistance	**(25)**	(223)

10.2 Revenue allocation

Revenues are geographically allocated as follows:

	2014 $	2013 $
United States	**5,527**	5,872
Canada	**4,045**	3,321
Europe	**2,452**	3,085
Asia	**3,615**	1,292
South America	**1,747**	369
Middle East	**12**	179
Oceania	**181**	111
Other countries	**14**	24
	17,593	14,253

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

10. SUPPLEMENTARY INFORMATION ON THE CONSOLIDATED STATEMENTS OF NET LOSS AND OTHER COMPREHENSIVE LOSS [Cont'd]

10.3 Cost of goods sold excluding amortization

The key components of costs of goods sold excluding amortization of property, plant and equipment are detailed as follows:

	2014	2013
Cost of parts and components *[note 4]*	**6,694**	5,556
Employee costs	**587**	373
Freight charges and import duties	**154**	189
Maintenance of goods held for lease	**145**	—
Production supplies	**90**	67
Impairment of parts and components	**78**	—
Other	**133**	24
	7,881	6,209

10.4 Selling and marketing

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

	2014	2013
Employee costs	**3,098**	2,635
Professional fees	**628**	694
Marketing, advertising and promotional material	**241**	182
Share-based payment expense	**202**	255
Trade show expenses	**555**	237
Travel and entertainment expenses	**172**	140
Amortization of property, plant and equipment	**243**	248
Freight charges and import duties	**160**	151
Write-off of property, plant and equipment	**14**	—
Other	**317**	290
	5,630	4,832

10. SUPPLEMENTARY INFORMATION ON THE CONSOLIDATED STATEMENTS OF NET LOSS AND OTHER COMPREHENSIVE LOSS [Cont'd]

10.5 Administrative expenses

The key components of administrative expenses are detailed as follows:

	2014	**2013**
Employee costs	**1,544**	1,510
Share-based payment expense	**351**	533
Professional fees	**308**	253
Public company costs	**172**	135
Insurance	**240**	184
Amortization of property, plant and equipment and intangible assets	**227**	193
Director fees	**115**	102
Other	**210**	52
	3,167	2,962

10.6 Research and development

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

	2014	**2013**
Employee costs	**975**	1,047
Amortization of assets and patents	**174**	165
Share-based payment expense	**21**	84
Investment tax credits	**(219)**	(362)
Materials and certification	**211**	101
Other	**135**	129
	1,297	1,164

11. INCOME TAXES

11.1 Current income taxes

The income taxes reported in the consolidated statement 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:

	2014 %	2013 %
Income tax recovery using Canadian statutory rates	**26.90**	26.90
Change in income taxes resulting from:		
Effect of difference in foreign tax rate	**1.18**	(0.88)
Non-deductible expenses and other differences	**(6.70)**	(7.84)
Expired loss carryforwards	**(5.41)**	—
Unrecognized tax benefits of operating losses and other deductions	**(18.81)**	(19.79)
Tax credits not taxable in Québec	**2.27**	1.38
	(0.57)	(0.23)

11.2 Deferred income taxes

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

	March 31, 2014 $		March 31, 2013 $	
	Asset	Liability	Asset	Liability
Deferred income tax assets				
Net operating loss carryforwards	9,474	—	9,805	—
Research and development expenditures	1,914	—	1,668	—
Carrying amounts of property, plant and equipment below tax bases	1,111	(1,628)	918	(1,901)
Share issue costs and other differences	90	—	173	—
Total deferred income tax assets	12,589	(1,628)	12,564	(1,901)
Unrecognized deferred income tax assets	10,961	—	(10,663)	—
	1,628	(1,628)	1,901	(1,901)

11. INCOME TAXES [Cont'd]

11.2 Deferred income taxes [Cont'd]

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

	Federal $	Québec $	United States $
2015	1,524	1,458	—
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	1,840
2032	4,002	4,002	3,903
2033	800	785	61
	27,319	27,174	5,804

The Corporation has approximately $5,671 in scientific research and experimental development expenditures for federal tax purposes and $8,932 for Québec tax purposes available to reduce taxable income in future years and be carried forward over an unlimited period.

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	224
	1,962

12. COMMITMENTS

Future minimum payments for the coming years under long-term leases, mainly for the Corporation's premises, are as follows:

	$
2015	232
2016	107
2017	3
	342

The Corporation has pledged the universality of movable and personal property, both present and future, as collateral up to a maximum of $120, in favour of the lessor.

13. CAPITAL MANAGEMENT

With regard to capital management, the Corporation's goals include continuing as a going concern to carry on developing and marketing its technology, and financing its working capital and additions to property, plant and equipment, intangible assets and other assets.

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

	2014	**2013**
Undrawn bank credit facilities *[note 8]*	**132**	170
Equity	**20,940**	22,006
	21,072	22,176

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

While it has no external capital requirements, the Corporation must use its credit facility for cash advances on credit cards.

14. FINANCIAL INSTRUMENTS

14.1 Fair value of financial instruments

Except for derivative financial instruments, which are reported at fair value, the carrying amount of the Corporation's other financial instruments approximates their fair value.

The classification of financial instruments as well as their book values and fair values are as follows:

		2014		**2013**	
	Level	**Carrying amount** $	**Fair value** $	**Carrying amount** $	**Fair value** $
Financial assets					
Financial assets at fair value through profit or loss:					
Cash and cash equivalents	**2**	**6,717**	**6,717**	5,708	5,708
Financial liabilities					
Financial liabilities at fair value through profit or loss					
Derivative financial instruments	**2**	**42**	**42**	—	—

14.2 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 approximately $67 on net loss and comprehensive loss [$57 as at March 31, 2013].

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.

14. FINANCIAL INSTRUMENTS [Cont'd]

14.3 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, 2014, two clients accounted for 20% and 10% of total accounts receivable and 66% of trade accounts receivable were 90% insured [as at March 31, 2013, two clients accounted for 31% and 10% of total accounts receivable and 100% 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 stood at 8% as at March 31, 2014 [6% in 2013]. The allowance for doubtful accounts totalled $36 as at March 31, 2014 [$10 as at March 31, 2013]. Accounts receivable include investment tax credits, government assistance receivable 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, 2014 and 2013.

14.4 Foreign exchange risk

The Corporation is exposed to foreign exchange risk due to cash and cash equivalents, trade accounts receivable, prepaid expenses and accounts payable denominated in U.S. dollars. As at March 31, 2014, financial assets, consisting primarily of cash and cash equivalents, trade accounts receivable and prepaid expenses denominated in U.S. dollars, totalled $1,510, $2,067 and $142, respectively [$1,008, $2,253 and $207, respectively, as at March 31, 2013], and financial liabilities denominated in U.S. dollars totalled $824 [$684 as at March 31, 2013]. As at March 31, 2014, a 10% increase or decrease in the exchange rate between the U.S. dollar and the Canadian dollar would have had a $320 impact on net loss and comprehensive loss [$283 as at March 31, 2013].

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, 2014, the Corporation held foreign exchange contracts with a value of US$4,200, allowing it to sell U.S. currency at Canadian dollar exchange rates ranging from 1.1290 to 1.0336, staggered from July 11, 2014 to March 31, 2015.

14. FINANCIAL INSTRUMENTS [Cont'd]

14.5 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 few 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 at March 31, 2014, 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 $3,113 [$2,434 as at March 31, 2013].

15. ECONOMIC DEPENDENCE

During fiscal 2014, the Corporation purchased 24%, 12% and 11% of its inventories from three suppliers [27%, 10% and 8% from three suppliers in 2013]. the Corporation also sold 40% and 15% of its products to two industrial market clients [36% and 35% to two industrial market clients in 2013] and sold 9% and 8% of its products to two entertainment market clients [11% and 10% to two entertainment market clients in 2013].

16. 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.

17. SUBSEQUENT EVENT

On April 7, 2014, the Corporation granted 200,000 options with an exercise price of $0.24 expiring on April 7, 2024 to an employee.