D-BOX Technologies Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal year Ended March 31, 2013

This Management's Discussion and Analysis ("MD&A") is intended to provide the reader with a better understanding of the activities of D-BOX Technologies Inc. and its subsidiary, and its key financial results. In particular, it explains changes in the Corporation's financial position and operating results for the fiscal year ended March 31, 2013 by comparison to those of the previous fiscal year. It also presents a comparison of the balance sheets as at March 31, 2013 and March 31, 2012.

This MD&A has been prepared in accordance with *National Instrument 51-102*, *Continuous Disclosure Obligations,* and should be read in conjunction with the information included in the audited consolidated financial statements for the fiscal year ended March 31, 2013 and accompanying notes. Unless otherwise indicated, the terms "Corporation" and "D-BOX" refer to D-BOX Technologies Inc.

These audited consolidated financial statements and this MD&A have been reviewed by the Audit Committee and approved by the Corporation's Board of Directors. Unless otherwise indicated, all the amounts in this MD&A are in thousands of Canadian dollars.

FORWARD-LOOKING STATEMENTS

Some of the statements made in this MD&A, including, but not limited to, statements about the opinions, the projects, the objectives, the strategies, the estimates, the intentions and the expectations of the Corporation, as well as other statements not referring to historical facts, are forward-looking statements. Forward-looking statements can be identified by terms such as "expects," "anticipates," "estimates," "predicts," "undertakes" and other similar terms and expressions. These statements are based on the information available at the time they were prepared and management's good faith assumptions and expectations regarding future events, and inherently involve known and unknown risks and uncertainties such as, but not limited to, competition, the Corporation's ability to build on its technology, the Corporation's ability to continue developing its distribution network and enter into new commercial agreements in the home entertainment and industrial markets, exchange rate fluctuations, and other factors discussed herein (see "Risks and Uncertainties") or in the Corporation's continuous disclosure filings. The Corporation's actual results may be materially different from those expressed or implied in these forward-looking statements. As a result, you are cautioned not to place undue reliance on these forward-looking statements. These statements do not reflect the potential impact of any special items or of any business combination or other transaction that may be announced or that may occur after the date hereof. Except as required by law, the Corporation does not intend, and undertakes no obligation, to update any forward-looking statements to reflect, in particular, new information or future events.

MESSAGE TO SHAREHOLDERS

Dear shareholders:

This most recent fiscal year clearly demonstrated our ability to significantly grow our revenues and to generate for the first time a positive adjusted EBITDA with a steady increase throughout the year. Concurrently, we were able to exercise tight control over our operating expenses and to realize these milestones without compromising our ascension as a worldwide reference for motion generation systems in the main markets we target.

In fact, the strengthening of our brand stimulated by the quality and realism of the D-BOX experience has allowed for parallel growth in each of our two markets, namely the entertainment and industrial markets. These simultaneous inroads in these very high-potential niches actually validate the correctness of D-BOX's strategic positioning and allow to envision a very promising future considering we can take advantage of the versatility of our technological platform while diversifying our revenue sources.

In each of these markets individually, a few favorable trends were noticeable. First in the entertainment market, 28 movies from Hollywood's main studios were encoded by D-BOX to be presented in commercial theatres including an impressive number of titles ranked number one at the box office on opening weekend. This represents a significant increase in the number of films when compared to the 22 titles encoded in the previous fiscal year. With respect to home entertainment, we offered an impressive library of 1,215 titles which was available to D-BOX customers at the end of the fiscal year.

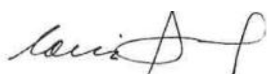
Seen through our eyes, the continuous support of D-BOX by the studios confirms the attractiveness of the proposed business model which is especially compelling with respect to the commercial theatre sub-market where the premium paid by a moviegoer when purchasing an admission ticket is split between D-BOX, the studios and the exhibitors.

With respect to this group, significant international inroads were realized with chains such as Gaumont-Pathé in France, Ambassador in Taiwan, Luxor in Russia and a South American subsidiary of Cinemark, the third most significant chain in the United States. Closer to home, in North America, many existing customers either installed D-BOX systems in a second complex or added a second screen within an existing one.

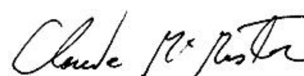
In the industrial market, D-BOX gained from many recently-signed agreements amongst others, in the casino, industrial simulation and virtual training sub-markets. These achievements were possible given past efforts invested in product development, the realism of the D-BOX experience and an excellent quality/price positioning.

Given the aforementioned factors, we consider being very well positioned for continued growth of our recurring revenues derived from utilization rights, rental and maintenance fees in the entertainment market as well as higher direct system sales in each of our markets. With tight control over our operating expenses and the leverage that we benefit from, we can anticipate continuous improvement of the Corporation's future financial profile.

All these realizations would not have been possible without the commitment of D-BOX's employees and Board members which we wish to thank. We also wish to mention the ongoing support of our shareholders which demonstrated day after day their desire to accompany D-BOX on its growth path. In light of such endorsements, we can only be very optimistic in regards to our future.



Louis Brunel
Chairman of the Board



Claude Mc Master
President and CEO

OPERATIONAL HIGHLIGHTS

- During the course of the fiscal year, significant international breakthroughs were realized with chains such as Gaumont-Pathé in France, Ambassador in Taiwan, Luxor in Russia and a South American subsidiary of Cinemark, the third most significant chain in the United States
- D-BOX continues to demonstrate its ability to access quality movies in the entertainment market.
  - ✓ For the fiscal year ended March 31, 2013, 28 movies were obtained from Hollywood's main studios to be encoded by D-BOX and be presented in movie theatres, including 16 titles ranked number one at the box office during opening weekend. This compares to 22 titles obtained for the fiscal year ended March 31, 2012.
- With respect to the industrial market, it continues to show growth derived amongst others from the addition of new customers and renewed orders from existing ones such as John Deere, Triotech and WMS Gaming.

FINANCIAL HIGHLIGHTS

- **Significant increase in revenues:**
  - ✓ Yearly revenues of $14.2 million in F2013 representing an increase of more than 60% in comparison with revenues of $8.8 million realized in F2012;
  - ✓ Quarterly revenues of $3.6 million in Q4 2013, an increase of 39% in comparison to Q4 2012.
- **Important turnaround of the adjusted EBITDA:**
  - ✓ Adjusted EBITDA of $584 k in F2013 compared to ($3 545 k) in F2012;
  - ✓ Quarterly adjusted EBITDA of $183 k in Q4 2013 compared to ($560 k) in Q4 2012.

CORPORATE PROFILE

D-BOX Technologies Inc. designs, manufactures and commercializes cutting-edge motion systems intended mainly for the entertainment and industrial markets. This unique and patented technology, the D-BOX Motion Code, 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. As of today, many major studios offer D-BOX Motion Code on their motion pictures in commercial theatres, on DVDs and Blu-rays. By reaching agreements with various industry leaders, D-BOX's award-winning motion technology is gradually proving itself as a new global standard. D-BOX is a public company whose shares are traded on the Toronto Stock Exchange under the symbol DBO. D-BOX® and D-BOX Motion Code® are registered trademarks of D-BOX Technologies Inc. Other names are for informational purposes only and may be trademarks of their respective owners.

Three components produce motion synchronized with image and sound:

1. the creation of motion effects making up the motion code known as D-BOX Motion Code;
2. a motion controller serving as an interface between the optical disk reader or the video server that contains the film, and the D-BOX motion system; and
3. the D-BOX motion system, consisting amongst other things of electromechanical pistons (actuators) built into a platform, a seat, or another type of equipment.

The Corporation's current revenue streams mainly consist of:

1. the sale or lease of D-BOX motion systems including motion controllers and in some cases, computer servers;
2. utilization rights (licenses) for the D-BOX technology on the sale of admission tickets in movie theatres which are equipped with this technology to view a motion picture encoded by D-BOX. The Corporation also receives system maintenance revenues relating to the use of systems.

The entertainment experience provided by the Corporation's technology targets two distinct markets: the entertainment market and the industrial market which each have their respective submarkets. As at March 31, 2013, D-BOX had 67 employees compared to 68 as at March 31, 2012.

CORPORATE STRATEGY

The Corporation is positioning itself as the global reference in regard to the creation and design of motion systems mainly for the entertainment market. It is developing its brand awareness in addition to offering a differentiating asset generating revenues in various business sectors. The Corporation's cutting-edge motion systems target two distinct markets: the entertainment market and the industrial market.

Examples of Applications

Entertainment market	Industrial market
• Commercial theatres • Home entertainment	• Casinos • Therapeutic care • Gaming (arcades/others) • Simulation and training • Amusement parks, museums and planetariums

Revenue Model

The Corporation's targeted revenue streams are as follows:

1. utilization rights and maintenance fees from the premium on admissions tickets for the use of the technology in movie theatres;
2. the sale or rental of D-BOX motion systems to movie theatre owners; and
3. direct sales of motion systems to a network of specialized resellers, integrators, equipment or seating manufacturers whom market the D-BOX technology under their own brands (Original Equipment Manufacturers ("OEM")). This marketing method offers the advantage of minimizing sales and marketing costs.

Growth Strategy / Entertainment Market

The Corporation is continuously pursuing negotiations with movie theatre owners to increase the number of venues equipped with its technology. The Corporation continues to increase the number of exhibitors while ensuring broader geographical coverage around the world.

Concurrently, the Corporation is counting on the contacts and credibility it has established with studios to increase the amount of content. The Corporation believes that an increase in the offering of motion pictures has a direct impact on the number of equipped venues and that box office revenue per D-BOX equipped theatre acts as a motivational agent to:

1. accelerate the deployment of its technology with new commercial theatre exhibitors who wish to add a distinctive element to their offering;
2. stimulate motion system sales for a certain clientele of the home entertainment submarket who want to be able to watch encoded movies in the comfort of their homes;

3. entice video game customers to equip their gaming seats with D-BOX actuators allowing them to live the action;
4. promote the sale of the technology to existing exhibitors who wish to equip more than one of their sites or to equip more than one screen within the same site as illustrated by the two following tables:

Number of exhibitors with more than one site
Integrating the D-BOX technology

Q4 (March 2012)	Q1 (June 2012)	Q2 (Sept. 2012)	Q3 (Dec. 2012)	Q4 (March 2013)
20	24	25	30	32

Number of sites with more than one screen within the same complex
Integrating the D-BOX technology

Q4 (March 2012)	Q1 (June 2012)	Q2 (Sept. 2012)	Q3 (Dec. 2012)	Q4 (March 2013)
12	13	14	18	21

Furthermore, an increased number of equipped theatres has a direct impact on the offering of studios on the basis of a business model that is beneficial to all parties involved who split the new revenues generated by the technology. It should be noted that more than 95% of our commercial theatre exhibitors have added an additional screen equipped with the D-BOX MFX technology.

The D-BOX experience in movie theatres will continue to experience pronounced growth through the deployment of its technology. This vision is strengthened by the fact that the Corporation has continuously encoded content from major studios in addition to encoding local content in countries where D-BOX is now present. Also, it has proven its technical and commercial merits and has received several awards over the last few years.

So far, the Corporation's experience demonstrates however that certain seasonal factors may impact the deployment of new D-BOX MFX systems in commercial theatres. The Corporation's future growth rate of commercial theatre business activities will not necessarily be linear but rather subject to a certain level of volatility on the basis of consecutive quarters. With respect to markets outside of North America, it is noteworthy that the launch date of movies are not necessarily the same in different geographical markets.

In this respect, the Corporation wishes to remind readers that it remains subject to a number of risks and uncertainties pertaining to its operations (see the "Risks and Uncertainties" section).

Business development efforts targeting movie theatre chains are handled by an internal business development team and a few external partners in certain countries. In addition, the Corporation's representatives continue to attend major film exhibition trade shows. The Corporation believes that the entertainment market, in addition to being an excellent showcase for the demonstration of its technology to the largest number of people possible, generates increasing revenues through utilization rights earned from the use of the technology based on premiums on admission tickets, the sale or rental of motion systems (D-BOX MFX) and motion system maintenance contracts. This strategy drives a significant increase in brand awareness.

In measuring achievement of deployment objectives for theatre chains, the Corporation tracks the installed base of its D-BOX MFX systems as well as its backlog. From a practical standpoint, the Corporation defines systems backlog as follows: an order for D-BOX MFX systems received as part of a contractual agreement and for which the installation is scheduled within a twelve-month period of the filing date of its most recent financial statements. The following table shows the progression as at June 18, 2013, of installed, or added to the backlog, D-BOX MFX systems since the end of the previous fiscal year on March 31, 2012.

Increase of D-BOX MFX Systems
Variation for the Fiscal Year ended March 31, 2013 and as at June 18, 2013

	Backlog*		Installed		Total	
	# Screens	# D-BOX MFX Systems	# Screens	# D-BOX MFX Systems	# Screens	# D-BOX MFX Systems
As at March 31, 2012	**20**	**578**	**120**	**3,092**	**140**	**3,670**
Additions to backlog during the fiscal year	67	1 699	—	—	67	1,699
Fiscal year net installations	(74)	(1 893)	73	1,870	(1)	(23)
Fiscal year variation	(7)	(194)	73	1,870	66	1,676
As at March 31, 2013	**13**	**384**	**193**	**4,962**	**206**	**5,346**
Fiscal year variation in %	*-35 %*	*-34 %*	*61 %*	*60 %*	*47 %*	*46 %*
Additions to backlog since the end of the fiscal year	1	24	—	—	1	24
Net installations since the end of the fiscal year	(7)	(160)	6	126	(1)	(34)
As at June 18, 2013	**(6)**	**248**	**199**	**5,088**	**206**	**5,336**

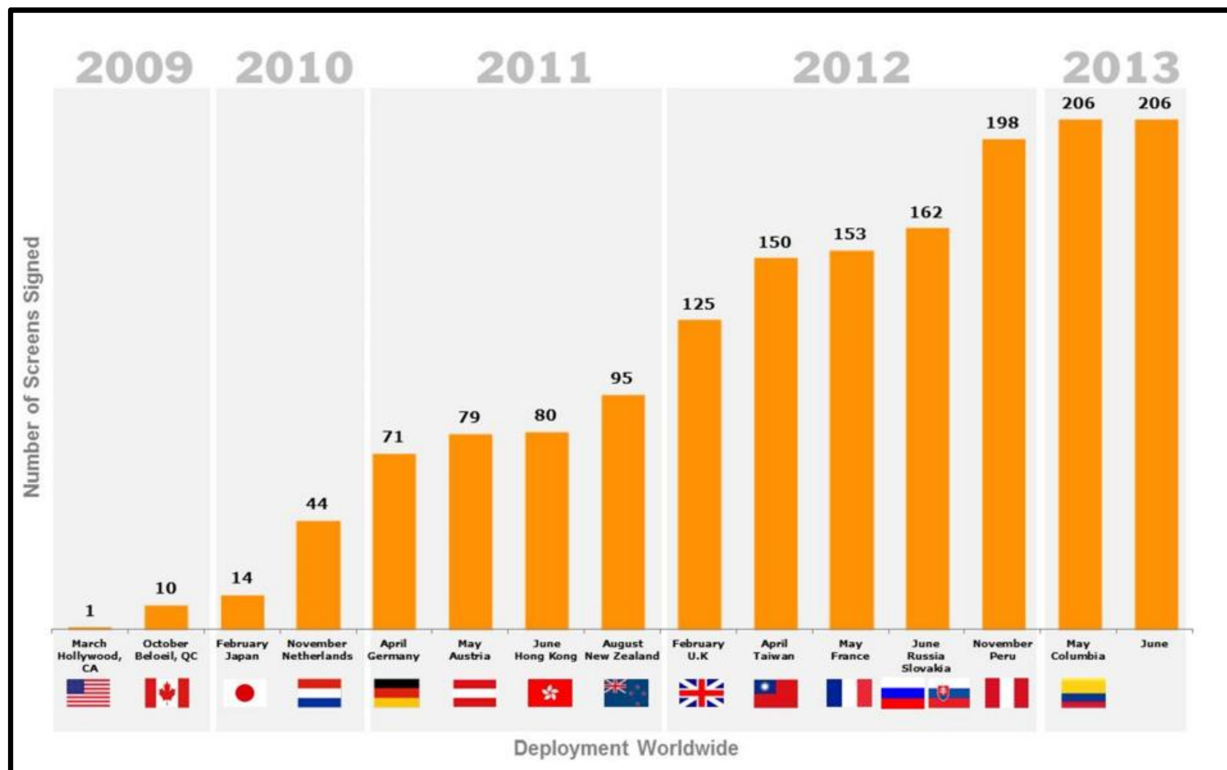
* The final number may slightly fluctuate given certain constraints caused amongst others by the possible change of the layout of screening rooms or by changes made to contracts after their execution.

Increase of D-BOX MFX Systems
Variation for the Quarter ended March 31, 2013 and as at June 18, 2013

	Backlog*		Installed		Total	
	# Screens	# D-BOX MFX Systems	# Screens	# D-BOX MFX Systems	# Screens	# D-BOX MFX Systems)
As at December 31, 2012	**19**	**503**	**181**	**4,700**	**200**	**5,203**
Additions to backlog during the quarter	7	169	—	—	7	169
Quarterly net installations	(13)	(288)	12	262	(1)	(26)
Quarterly variation	(6)	(119)	12	262	6	143
As at March 31, 2013	**13**	**384**	**193**	**4,962**	**206**	**5,346**
Quarterly Variation in %	*-32 %*	*-24 %*	*7 %*	*6 %*	*3 %*	*3 %*
Additions to backlog since the end of the quarter	1	24	—	—	1	24
Net installations since the end of the quarter	(7)	(160)	6	126	(1)	(34)
As at June 18, 2013	**(6)**	**248**	**199**	**5,088**	**206**	**5,336**

* The final number may slightly fluctuate given certain constraints caused amongst others by the possible change of the layout of screening rooms or by changes made to contracts after their execution.

Worldwide Progression of Commercial Theatres Installed or in Backlog



With respect to products targeting the home entertainment market, the Corporation aims to:

1. sell products under its own brand name and under original equipment manufacturers' (OEM), integrators' and resellers' brands;
2. increase the number of movies encoded by D-BOX.

Longer term, the Corporation intends to create products or forge partnerships with strategic players which will allow an eventual and progressive penetration of the consumer mass market.

In short, D-BOX has demonstrated so far:

- the willingness of moviegoers to pay premium admission to experience immersive Audio Video Motion (AVM);
- that more than 95% of our commercial theatre exhibitors add at least one other screen equipped with the D-BOX technology;
- that our close relations with major studios have allowed us to obtain 78 motion pictures set for a theatrical release since April 2009;
- a significant increase in the occupancy rate for the D-BOX zone of movie theatres compared with traditional theatre seats;
- a new source of business traffic and new revenues for movie theatre operators allowing them to stand out from competitors and increase their revenues. ((i) direct revenues from the sale of tickets in the D-BOX section and (ii) indirect revenues from the sale of food and beverages.); and
- an additional source of revenues for the studios.

Growth Strategy/ Industrial Market

The industrial market continues to significantly increase global awareness to the D-BOX brand sparking consumer interest for the Audio Video Motion (AVM) experience bolstering demand for the D-BOX experience in other submarkets, such as arcades, casinos, industrial simulation, therapeutic care, virtual training, museums and planetariums. The Corporation is mobilizing resources that are devoted to the business development of this continuously-growing market with the goal of identifying new eventual partners, to satisfy their needs and answer their requests.

With respect to products earmarked for industrial simulation users, the Corporation is following its mission to sell products under its own brand as well as under original equipment manufacturers brands (OEM's) and through a network of integrators and resellers. It is also adapting its products to address specific requests of manufacturers and OEM's to penetrate new markets.

In the longer term, the Corporation seeks to:

1. sell licenses to manufacturers of audio-video devices to integrate motion controller circuitry into new devices;
2. develop products or enter into partnerships with strategic players which will allow for the eventual and progressive penetration of new markets.

In the last few years, the Corporation has stepped up its presence at commercial trade shows, raising awareness of D-BOX and its motion technology.

The Corporation intends to continue dedicating a team to develop and service this market to identify new potential customers and adequately meet their demands. The main selection criteria for new customers include an efficient international distribution network, a well-renowned name in the market and readiness to invest the necessary effort and resources to generate significant new revenue streams.

Main Agreements with Content Providers for the Entertainment Market

Access to content is a key factor regarding the speed of D-BOX technology deployment. To date, the Corporation has developed business relationships with many theatrical and video game content providers.

As at March 31, 2013, D-BOX has encoded over the years 1,215 movies and TV series for the home entertainment sub-market. As for video games, 60 titles are compatible with the D-BOX technology.

With respect to theatrical releases, the Corporation has been mandated to encode 78 motion pictures from various studios in North America.

Number of Movies Presented or to be Presented in Theatres

Fiscal Year End	Number of Movies
2010	12
2011	13
2012	22
2013	28
2014 to date	3
Total	**78**

OUTLOOK

Broadly speaking, D-BOX focuses on two major development areas: the entertainment market and the industrial market which have their respective submarkets.

In light of its business development activities in each of these two markets and more specifically the anticipated revenues stemming from utilization rights, rental and maintenance fees in the commercial theatre submarket, D-BOX believes that the recently observed trend in adjusted EBITDA should be maintained.

NON-IFRS MEASURES

In this MD&A, the Corporation's management uses two measures which are not compliant with IFRS. These measures, gross profit excluding amortization and adjusted EBITDA, supply useful and complementary information to, among other things, assess the Corporation's financial performance, but does not have standardized meanings under IFRS. Moreover, these measures are not likely to be comparable to similar measures used by other issuers. The adjusted EBITDA designates the net loss before items not affecting cash, the foreign exchange gain or loss, financial expenses and interest income and income taxes (see the table explaining the reconciliation of adjusted EBITDA to the net loss on page 13).

MAIN FINANCIAL DATA

The following table presents selected significant financial data for the current fiscal year and the latest quarter ended March 31, 2013 by comparing them with the corresponding periods of the previous fiscal year.

	Fiscal Year Ended March 31		Fourth Quarter Ended March 31	
	2013	**2012**	**2013**	**2012**
Information from the Consolidated Statements of Operations and Comprehensive Loss				
Revenues	**14,253**	8,832	**3,585**	2,583
Gross profit excluding amortization*	**8,044**	4,868	**2,005**	1,399
Adjusted EBITDA*	**584**	(3,545)	**183**	(560)
Net loss	**(2,575)**	(6,556)	**(508)**	(1,824)
Basic and diluted net loss per share	**(0.0157)**	(0.0400)	**(0.0031)**	(0,0111)
Information from the Consolidated Statements of Cash Flows				
Goods held for lease	**(2,952)**	(4,118)	**(548)**	(875)
Cash flows relating to operating activities	**(2,807)**	(10,791)	**(1,106)**	(1,508)
Additions to property, plant and equipment	**(496)**	(658)	**(127)**	(107)
Additions to intangible assets	**(323)**	(321)	**(45)**	(74)

* See the "Non-IFRS measures" section.

	As at March 31, 2013	As at March 31, 2012
Information from the Consolidated Balance Sheets		
Cash and cash equivalents	**5,708**	9,320
Inventories	**4,578**	4,667
Working capital	**11,568**	14,870
Total assets	**24,537**	25,823
Total liabilities	**2,531**	2,110
Equity	**22,006**	23,713

OPERATING RESULTS

Revenues

Revenues for the fiscal year ended March 31, 2013 amounted to $14,253 k, up 61% compared to $8,832 k for the fiscal year ended March 31, 2012. Revenues include motion system sales to customers in the industrial market which sell the D-BOX technology under their own brand names and system sales to customers of the entertainment market. The entertainment market is made up of D-BOX MFX system sales to commercial theatre operators, revenues from utilization rights, rental and maintenance fees in regard to admission tickets sold in commercial theatres and system sales to home entertainment customers.

Sales of motion systems to customers of the industrial market amounted to $6,141 k for the fiscal year ended March 31, 2013 representing a 35% increase compared to $4,548 k for the previous fiscal year. For a few years, our development strategy has consisted in selling our motion system technology to customers from the industrial market so they can integrate it into their products. The growth in sales is explained by efforts deployed, including attendance at commercial and industrial trade shows which contribute to getting the D-BOX technology known, and the presentation in commercial theatres of movies integrating D-BOX Motion Code which creates an increasing demand for the D-BOX experience in numerous other submarkets such as: casinos and electronic gaming, therapeutic care, industrial simulation and virtual training. During the fiscal year, sales to our two main customers in the field of electronic gaming and casinos represented 31% of the Corporation's overall sales in comparison with 36% last year.

Revenues generated by the entertainment market for the fiscal year amounted to $8,112 k, representing an 89% increase when compared to the $4,284 k realized in the previous fiscal year. Revenues from commercial theatre exhibitors increased 143% going from $2,783 k in 2012 to $6,751 k this year. These revenues are made up of sales of D-BOX MFX systems sold which increased 261% to $4,206 k (compared to $1,166 k in 2012) and of revenues from utilization rights, rental and maintenance fees in regards to admission tickets sold in commercial theatres which increased 57% to $2,545 k ($1,617 k in 2012). Revenues from utilization rights, rental and maintenance fees fluctuate from one period to another, on the basis amongst others of the following factors:

- The average number of D-BOX MFX systems deployed which is constantly evolving;
- The Box Office performance of the movies that are presented, which can fluctuate significantly;
- The individual performance of exhibitors;
- The split between D-BOX MFX systems sold in comparison to those that are leased;
- The number of weekly screenings of a D-BOX movie, which can change based on the country in which a film is presented;
- The number of weeks during which a movie is played, which can vary amongst others based on the country given different launch dates or the decision made by an exhibitor to present a film for a longer or shorter period;
- The date on which a film is presented varies on a country-by-country basis.

As of March 31, 2013, 4,962 D-BOX MFX systems were installed in 193 auditoriums around the world compared to 3,092 systems D-BOX MFX systems installed in 120 auditoriums at the same time last year.

The entertainment market also includes system sales for home entertainment which decreased 9% to $1,361 k in comparison to $1,501 k last year.

For the fourth quarter of the 2013 fiscal year revenues amounted to $3,585 k in comparison to $2,583 k for the same period last year representing a 39% increase. Sales from the industrial market totalled

$1,735 k for the quarter ended March 31, 2013 representing a 30% increase in comparison to the $1,334 k achieved in the same quarter last year reflecting the aforementioned commercial strategy. During the quarter, revenues generated by the entertainment market increased 56% to reach $1,639 k which compares to revenues of $1,053 k in the fourth quarter of the previous fiscal year. The growth is explained by revenues derived from the sale of D-BOX MFX motion systems to commercial theatre exhibitors in international markets which went up 71% to $1,097 k ($641 k in 2012), the 32% increase in revenues from utilization rights, rental and maintenance to $542 k ($412 k in 2012) and systems sold in home entertainment which increased 7% to $211 k ($196 k in 2012).

Gross Profit

	Fiscal Year Ended March 31		Fourth Quarter Ended March 31	
	2013	**2012**	**2013**	**2012**
Revenues	**14,253**	8,832	**3,585**	2,583
Gross profit	**6,301**	3,556	**1,544**	897
Amortization related to cost of goods sold	**1,743**	1,312	**461**	502
Gross profit excluding amortization *	**8,044**	4,868	**2,005**	1,399
Gross margin excluding amortization	**56%**	55%	**56%**	54%

* See the "Non-IFRS measures" section.

For the fiscal year ended March 31, 2013, gross profit increased by 77% to $6,301 k in comparison to $3,556 k in the previous fiscal year. Excluding amortization relating to cost of goods sold, which mostly pertains to goods held for lease with respect to commercial theatres in the entertainment market, gross profit amounted to $8,044 k (56% of revenues) in 2013 or a 65% increase in comparison to the $4,868 k (55% of revenues) achieved last year. The change in gross profit is explained by the growth of 61% in revenues in both operating markets.

For the fourth quarter ended March 31, 2013, gross profit amounted to $1,544 k in comparison to $897 k for the corresponding quarter of the previous fiscal year. Excluding amortization relating to cost of goods sold, gross profit amounted to $2,005 k (56% of revenues) in 2013 representing a 43% increase in comparison to the $1,399 k (54% of revenues) achieved last year. The increase in gross profit is also explained by the 39% overall growth in revenues coming from both of our operating markets.

Operating Expenses

Selling and Marketing Expenses: Selling and marketing expenses consist primarily of salaries paid to staff including share-based payment expenses, professional fees, advertising and point-of-sales material expenses and attendance at industrial trade shows targeting both the industrial and entertainment markets. They also include expenses related to motion coding and other marketing expenses.

For the fiscal year ended March 31, 2013, selling and marketing expenses totalled $4,832 k (34% of revenues) a 14% decrease in comparison to $5,629 k (64% of revenues) for the previous fiscal year. This decrease is explained by the general efforts of marketing expenses reduction undertaken throughout the fiscal year and by an increasing portion of marketing expenses being taken up by commercial theatre exhibitors in the entertainment market.

For the fourth quarter ended March 31, 2013, selling and marketing expenses totalled $1,223 k (34% of revenues) which compares to $1,374 k (53% of revenues) for the quarter ended March 31, 2012. This 11% decrease is also explained by the aforementioned items.

Administrative Expenses: Administrative expenses consist primarily of costs related to employee compensation including share-based payment expenses, professional fees, as well as other general and administrative expenses.

For the fiscal year ended March 31, 2013, administrative expenses amounted to $2,962 k (21% of revenues) which compares to $3,436 k (39% of revenues) for the fiscal year ended March 31, 2012. This 14% decrease is explained by $352 k less of share-based payment expenses which amounted to $533 k in comparison to $885 k for the previous fiscal year.

For the fourth quarter ended March 31, 2013, administrative expenses amounted to $700 k (20% of revenues), a 14% decrease when compared to the $818 k (32% of revenues) for the quarter ended March 31, 2012. This decrease is explained for the most part by $103 k less share-based payment expenses which amounted to $128 k in comparison to $231 k for the corresponding quarter of the previous fiscal year.

Research and Development Expenses: Research and development expenses mainly include costs related to employees, share-based payment expenses, others costs associated with existing product enhancement and cost reduction initiatives and the cost of adapting products to various international standards less investment tax credits.

For the fiscal year ended March 31, 2013, research and development expenses decreased by 13% to $1,164 k (8% of revenues) compared with $1,332 k (15% of revenues) for the previous fiscal year. The decrease is mostly explained by an increase of $142 k in investment tax credits which were recorded as an offset to eligible project costs.

For the fourth quarter ended March 31, 2013, research and development expenses decreased by 13% to $284 k (8% of revenues) compared with $305 k (12% of revenues) for the corresponding period of the previous fiscal year. The $21 k decrease comes for the most part from lower employee-related costs.

Foreign Exchange Loss (Gain): Foreign exchange gains or losses mainly result from the fluctuation of the Canadian currency in relationship to the US currency when converting US dollar operations at the prevailing rate on the date of a transaction and the translation of the US dollars monetary assets and liabilities at the end-of-period rate. During the fiscal year ended March 31, 2013, the fluctuation of the exchange rate of the US dollar in relationship to the Canadian dollar translated into a foreign exchange gain of $74 k which compares to a foreign exchange gain of $158 k last year.

For the fourth quarter of 2013, the foreign exchange gain amounted to $156 k which compares to a foreign exchange loss of $247 k for the corresponding quarter in 2012. The foreign exchange gain is explained by the fluctuation of the US currency in comparison to the Canadian currency compared to an opposite fluctuation during the same period last year.

Financial Results

The financial results include financial expenses and interest income. For the fiscal year ended March 31, 2013, financial results amounted to a result net of interest expense of $14 k which compares to $126 k in 2012. For the fourth quarter, financial results net of financial expenses amounted to $1 k in comparison to $22 k for the corresponding quarter last year. The variation for fiscal year and for the fourth quarter is explained by higher interest income given higher funds available in 2012.

Income Taxes

In regard to accounting for future income taxes, the Corporation has concluded that a valuation allowance equal to its future income tax assets should be recorded.

Net Loss

Given the previously-mentioned items, the net loss for the 2013 fiscal year came down significantly amounting to $2,575 k ($0.0157 per share) which compares to a net loss of $6,556 k ($0.0400 per share) in 2012. For the fourth quarter, the net loss stands at $508 k ($0.0031 per share) in comparison to a net loss of $1,824 k ($0.0111 per share) for the same quarter of 2012.

ADJUSTED EBITDA

The adjusted EBITDA* designates net loss before items not affecting cash, the foreign exchange gain or loss, financial expenses, interest income and income taxes. This measure supplies useful and complementary information which allows amongst others to evaluate profitability and cash flows provided by operations.

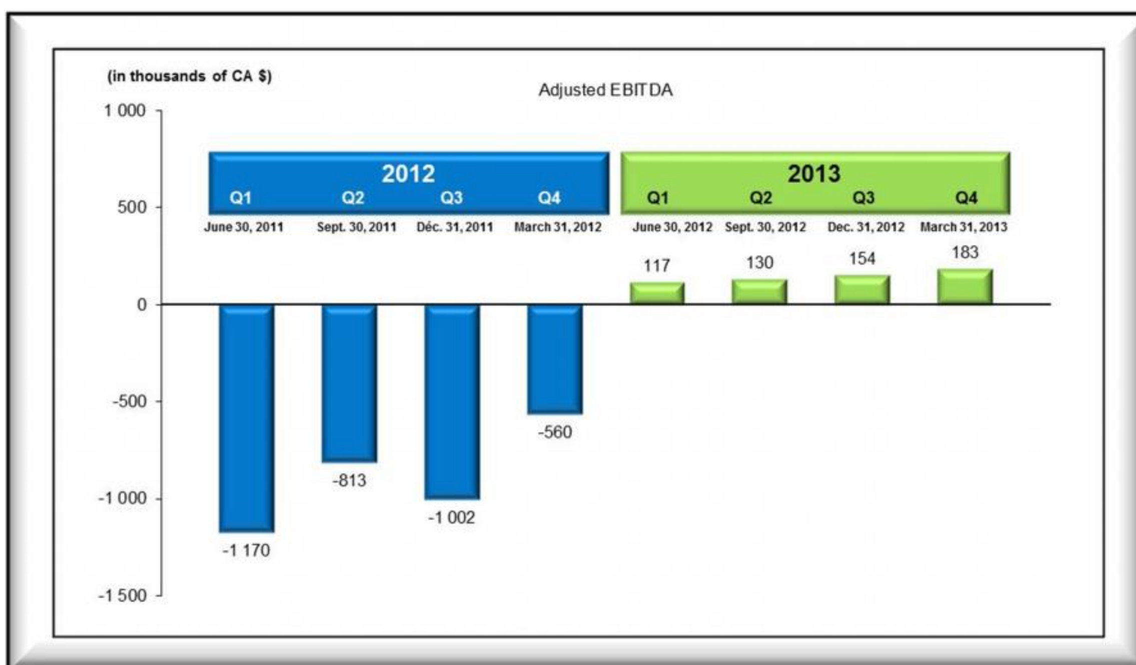
The following table explains the reconciliation of the adjusted EBITDA to the net loss.

	Fiscal Year Ended March 31		Fourth Quarter Ended March 31	
	2013	**2012**	**2013**	**2012**
Net loss	**(2,575)**	(6,556)	**(508)**	(1,824)
Amortization of property, plant and equipment	**2,005**	1 557	**507**	569
Amortization of intangible assets	**259**	208	**68**	61
Amortization of other assets	**85**	89	**44**	20
Write-off of property, plant and equipment	—	4	—	4
Write-off of other assets	**5**	—	—	—
Write-off of intangible assets	**4**	—	**4**	—
Share-based payment expense	**883**	1 438	**223**	385
Foreign exchange loss (gain)	**(74)**	(158)	**(156)**	247
Financial results (financial expenses and interest income)	**(14)**	(126)	**(1)**	(22)
Income taxes	**6**	(1)	**2**	—
Adjusted EBITDA*	**584**	(3,545)	**183**	(560)

* See the « Non-IFRS Measures » section.

Adjusted EBITDA greatly and steadily improved during the four quarters of the fiscal year ended March 31, 2013 amounting to $584 k compared to a negative amount of ($3,545 k) in 2012. This turnaround in the Corporation's profile is the result of strategies developed over the course of the last few years for the industrial and entertainment markets which resulted into much higher revenues and gross profit in combination with a tight control over operating expenses.

The following graph shows the performance of adjusted EBITDA over the course of the previous eight quarters.



LIQUIDITY, CAPITAL RESOURCES AND FINANCING SOURCES

As at March 31, 2013, total assets amounted to $24,537 k which compares to $25,823 k as at March 31, 2012. The decrease in total assets is mostly explained by cash and cash equivalents used for operating activities.

Working capital stood at $11,568 k as at March 31, 2013 compared with $14,870 k as at March 31, 2012. Cash and cash equivalents totalled $5,708 k as at March 31, 2013 compared with $9,320 k as at March 31, 2012 and mainly consisted of money market securities that are readily accessible by the Corporation. Accounts receivable, which mostly consist of trade accounts receivable, investment tax credits and commodity taxes receivable, amounted to $3,411 k as at March 31, 2013 in comparison to $2,555 k as at March 31, 2012. Inventories remained relatively flat amounting to $4,578 as at March 31, 2013 in comparison to $4,667 k as at March 31, 2012. Short-term liabilities increased by $421 k to $2,531 k as of March 31, 2013 which compares to $2,110 k on March 31, 2012. Short-term liabilities include accounts payable and accrued liabilities which, as a whole, increased $764 k as a result of a higher quarterly level of operations and deferred revenues made up of deposits received from customers which decreased $342 k as a result of increased customer deliveries.

Operating Activities

For the fiscal year ended March 31, 2013 cash flows used in operating activities totalled $2,807 k compared with $10,791 k for the previous year. The $7,984 k variation is explained for the most part by the significant improvement in operating cash flows explained by the previously-mentioned 2013 results. Net changes in non-cash working capital used an amount of $3,675 k in 2013 which compares to $7,708 k in 2012. This $4,033 k improvement is explained by the cash required for goods held for lease which was $1,166 k lower, inventories which required $1,811 k less cash in 2013 than in 2012 for and accounts payable and accrued liabilities which used $1,253 k less cash in 2013 in comparison to 2012.

Investing Activities

For the fiscal year March 31, 2013, cash flows used by investment activities amounted to $819 k in comparison to cash flows used by investment activities of $979 k for the 2012 fiscal year. Cash flows from investing activities include costs associated to patents and patent requests and the acquisition of tangible assets such as the D-BOX MFX demonstration booths installed in commercial theatres in North America. The decrease of these investments totaling $162 k results from a decrease of rental activities by commercial theatre exhibitors which was compensated by an increase of systems sales in comparison to the previous fiscal year.

Financing Activities

There were no financing activities for the fiscal year ended March 31, 2013. For the fiscal year ended March 31, 2012, cash flows provided by financing activities amounted to $111 k as a result of the exercise of share purchase options.

The use of proceeds of the share issuance on December 10, 2010 for a net amount of $13,800 k has been fully used by the Corporation to accelerate the deployment of our motion generation systems in commercial theatres in line with our objective. Consequently, since that date, an amount of $12,931 k of the net proceeds was used to deploy our technology in commercial theatres and a residual amount of $869 k was invested in property, plant and equipment,

Equity

Equity amounted to $22,006 k as at March 31, 2013, compared with $23,713 k as at March 31, 2012. This $1,707 k decrease is mainly the result of the fiscal year's net loss amounting to $2,575 k less the share-based payment expense of $883 k accounted to the share-based payment expense reserve account.

QUARTERLY DATA

Operating results for each of the past eight quarters are presented in the table below.

	2013				2012			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues from the industrial market	**1,735**	**1,322**	**1,919**	**1,165**	**1,333**	**968**	**1,091**	**1,156**
Revenues from the entertainment market								
- System sales	1,097	1,115	682	1,312	641	50	105	370
- Utilization rights, rental & maintenance	542	484	856	663	412	362	369	474
	1,639	1,599	1,538	1,975	1,053	412	474	844
- System sales for home entertainment	211	471	251	428	197	430	465	409
Total revenues entertainment market	**1,850**	**2,070**	**1,789**	**2,403**	**1,250**	**842**	**939**	**1,253**
TOTAL REVENUES	**3,585**	**3,392**	**3,708**	**3,568**	**2,583**	**1,810**	**2,030**	**2,409**
Adjusted EBITDA *	183	154	130	117	(560)	(1,002)	(813)	(1,170)
Net loss	(508)	(273)	(1,204)	(590)	(1,824)	(1,958)	(981)	(1,793)
Basic and diluted net loss per share	(0,0031)	(0,002)	(0,007)	(0,004)	(0,011)	(0,012)	(0,006)	(0,011)
Weighted average number of common shares outstanding	163,781,129	163,781,129	163,781,129	163,781,129	163,781,129	163,781,129	163,764,825	163,722,525

* See the « Non-IFRS Measures » section.

The variation of revenues during the last eight quarters is explained amongst others by the uneven growth of the industrial and entertainment markets. More specifically for the entertainment market, revenues fluctuate in relationship to number of systems sold, the average number of systems installed, the number of systems which are leased, seasonality, the performance of presented films and the performance of commercial theatre exhibitors.

RELATED PARTY TRANSACTIONS

During fiscal 2013 and 2012, the Corporation sold movie theatre motion systems to an entity controlled by a director of the Corporation. For the year ended March 31, 2013, the Corporation recognized revenues in the amount of $44 k [$46 k in 2012]. These transactions, carried out in the normal course of business for negotiations with movie theatre clients in the entertainment market, were recorded at the exchange amount, which is the amount of consideration established and agreed to by the parties. As at March 31, 2013, the net cost of these systems amounted to $2 k [$34 k in 2012], being a cost of $117 k [$117 k in 2012] and accumulated amortization of $115 k [$83 k in 2012].

COMMITMENTS

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

Fiscal Year	In Thousand $
2014	208
2015	105
2016	29
2017	1
2018	—
	343

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

OUTSTANDING SHARE CAPITAL (June 18, 2013)

	Class A common shares
Class A common shares outstanding	163,781,129
Convertible instruments	
Stock options outstanding	13,975,311
	177,756,440

SIGNIFICANT JUDGMENTS AND ESTIMATES AND NEW ACCOUNTING PRONOUNCEMENTS

Significant Judgments and Estimates

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

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.

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.

For further information, see note 2.3 "Significant judgments and estimates" of the audited consolidated financial statements for the fiscal year ended March 31, 2013.

New Accounting Pronouncements

The Corporation did not opt for early adoption of the following new standards, whose impact on the consolidated financial statements on adoption has not yet been determined.

New standards and expected amendments to current standards are as follows:

- **IFRS 9, *Financial Instruments***
  IFRS 9 simplifies the measurement and classification of financial assets by reducing the number of measurement categories and removing complex rule-driven embedded derivative guidance 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.
- **IFRS 10, *Consolidated Financial Statements***
  In May 2011, the IASB issued IFRS 10, *Consolidated Financial Statements*, which replaces SIC-12, *Consolidation: Special Purpose Entities*, and parts of IAS 27, *Consolidated and Separate Financial Statements*. IFRS 10 provides additional guidance on the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company.
- **IFRS 12, *Disclosure of Interests in Other Entities***
  In May 2011, the IASB issued IFRS 12, *Disclosure of Interests in Other Entities.* IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose and other unrecognized entities.
- **IFRS 13, *Fair Value Measurement***
  In May 2011, the IASB issued IFRS 13, *Fair Value Measurement.* IFRS 13 will improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS.
- **IAS 1, *Presentation of Financial Statements***
  In June 2011, the IASB issued IFRS 1, *Presentation of Financial Statements.* This amendment to IAS 1 aims to improve the presentation of other comprehensive income (loss) items.

These new standards are effective for interim and annual consolidated financial statements of the Corporation for periods beginning on or after April 1, 2013. However, following the IASB's decision in December 2011 to defer mandatory application of IFRS 9, *Financial Instruments*, the standard will be effective for the Corporation as of April 1, 2015.

FINANCIAL INSTRUMENTS

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 $57 k on net loss and comprehensive loss [$93 k as at March 31, 2012].

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.

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, 2013, two clients accounted for 33% of total accounts receivable and 100% of trade accounts receivable were 90% insured [as at March 31, 2012, two clients accounted for 35% of total accounts receivable and 99% 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 6% as at March 31, 2013 [13% in 2012]. The allowance for doubtful accounts totalled $10 k as at March 31, 2013 [$14 k as at March 31, 2012]. 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, 2013 and 2012.

Foreign Exchange Risk

The Corporation is exposed to foreign exchange risk due to cash and cash equivalents, accounts receivable and accounts payable denominated in U.S. dollars. As at March 31, 2013, financial assets, consisting primarily of cash and cash equivalents, accounts receivable and prepaid expenses denominated in U.S. dollars, totalled $1,008 k, $2,253 k and $207 k, respectively, [$1,831 k, $1,900 k and $167 k, respectively, as at March 31, 2012] and financial liabilities denominated in U.S. dollars totalled $684 k [$790 k as at March 31, 2012]. As at March 31, 2013, a 10% increase or decrease in the exchange rate between the U.S. dollar and the Canadian dollar would have had a $283 k impact on net loss and comprehensive loss [$386 k as at March 31, 2012].

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, 2013, the Corporation's financial liabilities had contractual maturities of under one year and consisted solely of accounts payable and accrued liabilities, amounting to $2,434 k [$1,670 k as at March 31, 2012].

Our ability to raise capital is subject to certains risks and uncertainties (see section "Risks and Uncertainties").

RISKS AND UNCERTAINTIES

We are active in an industry which presents many risks and uncertainties. These risks and uncertainties are described in the Annual Information Form (AIF) dated June 18, 2013 which is available on www.sedar.com

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

In accordance with *National Instrument 52-109 Respecting Certification of Disclosure in Issuers' Annual and Interim Filings*, the Corporation has filed certifications signed by the President and Chief Executive Officer and the Chief Financial Officer that, among other things, report on the design and effectiveness of disclosure controls and procedures, and the design and effectiveness of internal control over financial reporting.

Management has designed disclosure controls and procedures to provide reasonable assurance that material information relating to the Corporation is made known to the President and Chief Executive Officer and the Chief Financial Officer, particularly during the period in which annual filings are being prepared. The President and Chief Executive Officer and the Chief Financial Officer evaluated the effectiveness of the Corporation's disclosure controls and procedures and concluded, based on their evaluation, that such disclosure controls and procedures were effective as of March 31, 2013.

Management has also designed internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The President and Chief Executive Officer and the Chief Financial Officer evaluated the effectiveness of the Corporation's internal control over financial reporting and concluded, based on their evaluation, that such internal control over financial reporting was effective as of March 31, 2013.

Finally, there has been no change in the Corporation's internal control over financial reporting during the financial period beginning January 1, 2013 and ending March 31, 2013 that materially affected, or is likely to materially affect, the Corporation's internal control over financial reporting.

ADDITIONAL AND CONTINUOUS DISCLOSURE

This MD&A has been prepared as at June 18, 2013. Additional information can be found on the SEDAR website at www.sedar.com.

D-BOX® and D-BOX Motion Code® are registered trademarks of D-BOX Technologies Inc. Other names are for informational purposes only and may be trademarks of their respective owners.

Consolidated Financial Statements

D-BOX Technologies Inc.

March 31, 2013

MANAGEMENT REPORT

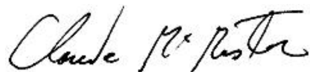
The accompanying consolidated financial statements of **D-BOX Technologies Inc.** and all the information in this management's discussion and analysis ["**MD&A**"] are the responsibility of management.

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 18, 2013

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, 2013 and 2012, and the consolidated statements of operations and comprehensive loss, changes in equity and cash flows for the years ended March 31, 2013 and 2012, 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, 2013 and 2012 and its financial performance and its cash flows for the years ended March 31, 2013 and 2012 in accordance with International Financial Reporting Standards.

Ernst & Young LLP[1]

Ernst & Young LLP[1] (signed)

Montréal, Canada
June 18, 2013

[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	2013 $	2012 $
ASSETS			
Current assets			
Cash and cash equivalents		**5,708**	9,320
Accounts receivable	3	**3,411**	2,555
Inventories	4	**4,578**	4,667
Prepaid expenses and deposits		**402**	438
		14,099	16,980
Non-current assets			
Property, plant and equipment	5	**9,481**	7,993
Intangible assets	6	**708**	648
Other assets	7	**249**	202
		24,537	25,823
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	8	**2,434**	1,670
Warranty provision		**14**	15
Deferred revenues		**83**	425
		2,531	2,110
Equity			
Share capital	9.1	**57,714**	57,714
Share-based payment reserve	9.2	**3,988**	3,105
Accumulated exchange difference		**(12)**	3
Deficit		**(39,684)**	(37,109)
		22,006	23,713
		24,537	25,823

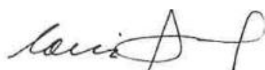
Commitments *[note 12]*

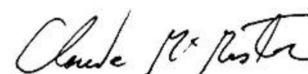
Contingency *[note 16]*

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 OPERATIONS AND COMPREHENSIVE LOSS

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

	Notes	2013 $	2012 $
Revenues	7, 10.2		
Motion systems for:			
Industrial market		**6,141**	4,548
Entertainment market			
Commercial theatres:			
System sales		**4,206**	1,166
Utilization rights, rental and maintenance		**2,545**	1,617
		6,751	2,783
Home entertainment system sales		**1,361**	1,501
		8,112	4,284
		14,253	8,832
Cost of goods sold excluding amortization	10.3	**6,209**	3,964
Amortization related to cost of goods sold	7, 10.1	**1,743**	1,312
		7,952	5,276
Gross profit		**6,301**	3,556
Other expenses			
Selling and marketing	10.4	**4,832**	5,629
Administrative	10.5	**2,962**	3,436
Research and development	10.6	**1,164**	1,332
Foreign exchange gain		**(74)**	(158)
		8,884	10,239
Loss before financial expenses and income taxes		**(2,583)**	(6,683)
Financial expenses (income)			
Financial expenses		**51**	37
Interest income		**(65)**	(163)
		(14)	(126)
Loss before income taxes		**(2,569)**	(6,557)
Current income taxes	11	**6**	(1)
Net loss		**(2,575)**	(6,556)
Foreign currency translation adjustment		**15**	—
Comprehensive loss		**(2,590)**	(6,556)
Basic and diluted net loss per share		**(0.0157)**	(0.0400)
Weighted average number of common shares outstanding	9.1	**163,781,129**	163,762,460

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, 2011		57,538	1,732	3	(30,553)	28,720
Net loss		—	—	—	(6,556)	(6,556)
Shares issued on exercise of stock options	9.1	176	(65)	—	—	111
Share-based payment expense		—	1,438	—	—	1,438
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)
Share-based payment expense		—	883	—	—	883
Balance as at March 31, 2013		57,714	3,988	(12)	(39,684)	22,006

See accompanying notes.

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

	Notes	2013 $	2012 $
OPERATING ACTIVITIES			
Net loss		**(2,575)**	(6,556)
Items not affecting cash			
Amortization of property, plant and equipment	5	**2,005**	1,557
Amortization of intangible assets	6	**259**	208
Amortization of other assets	7	**85**	89
Write-off of property, plant and equipment		—	4
Write-off of other assets		**5**	—
Write-off of intangible assets		**4**	—
Share-based payment expense	9.2	**883**	1,438
Unrealized foreign exchange loss		**202**	177
Cash flows from operations before changes in working capital items		**868**	(3,083)
Changes in working capital items:			
Accounts receivable		**(1,037)**	(1,000)
Inventories		**151**	(1,660)
Prepaid expenses and deposits		**36**	(246)
Goods held for lease		**(2,952)**	(4,118)
Other assets		**(137)**	(143)
Accounts payable and accrued liabilities		**607**	(646)
Warranty provision		**(1)**	—
Deferred revenues		**(342)**	105
		(3,675)	(7,708)
Cash flows relating to operating activities		**(2,807)**	(10,791)
INVESTING ACTIVITIES			
Additions to property, plant and equipment	5	**(496)**	(658)
Additions to intangible assets	6	**(323)**	(321)
Cash flows relating to investing activities		**(819)**	(979)
FINANCING ACTIVITIES			
Shares issued	9.1	—	111
Cash flows relating to financing activities		—	111
Effects of exchange rate fluctuations on cash and cash equivalents		**14**	39
Net change in cash and cash equivalents		**(3,612)**	(11,620)
Cash and cash equivalents, beginning of year		**9,320**	20,940
Cash and cash equivalents, end of year		**5,708**	9,320
Cash and cash equivalents consist of:			
Cash		**1,094**	814
Cash equivalents		**4,614**	8,506
Interest and income taxes included in operating activities:			
Income taxes paid (net of recoveries)		**6**	3
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, Longueil, Québec, Canada.

D-BOX designs and manufactures leading edge high-technology motion systems mainly suited to the needs of the entertainment industry and for industrial simulations. 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 either a platform, seat or various types of equipment. 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 industrial market and the entertainment market. The industrial market consists of products for industrial simulators and other applications. The entertainment market comprises motion systems installed in commercial theatres and consumer products for the home entertainment submarket, particularly video games and home theatres.

The consolidated financial statements were approved by the Corporation’s Board of Directors on June 18, 2013.

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”] issued by the International Accounting Standards Board [“IASB”].

The consolidated financial statements have been prepared on a historical cost basis. 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 and estimates and to formulate 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 D-BOX 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

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.

2.4.2 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 operations.

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

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.

2.7 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 years
Software	Straight-line	4 years
Other assets	Based on commercial theatre ticket sales	Not exceeding 7 years

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

2.7 Property, plant and equipment, intangible assets and other assets [Cont'd]

In accordance with IAS 36, *Impairment of Assets*, 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).

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

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.

Agreements entered into with commercial theatres occasionally include multiple service delivery revenue arrangements for the lease or sale of motion systems, motion technology utilization rights 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

2.10 Revenue recognition [Cont'd]

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

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. Under 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.

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

2.11 Encoding costs

The costs for encoding movies and games that support D-BOX motion generation 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. The Corporation has not capitalized any development costs to date.

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.

2.14 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.

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

2.14 Income taxes [Cont'd]

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, 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 and accrued liabilities 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.

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 operations.

2.18 New accounting pronouncements

The Corporation did not opt for early adoption of the following new standards, whose impact on the consolidated financial statements on adoption has not yet been determined.

New standards and expected amendments to current standards are as follows:

- IFRS 9, *Financial Instruments*
  IFRS 9 simplifies the measurement and classification of financial assets by reducing the number of measurement categories and removing complex rule-driven embedded derivative guidance 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.

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

2.18 New accounting pronouncements [Cont'd]

- IFRS 10, *Consolidated Financial Statements*
  In May 2011, the IASB issued IFRS 10, *Consolidated Financial Statements*, which replaces SIC-12, *Consolidation: Special Purpose Entities*, and parts of IAS 27, *Consolidated and Separate Financial Statements*. IFRS 10 provides additional guidance on the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company.
- IFRS 12, *Disclosure of Interests in Other Entities*
  In May 2011, the IASB issued IFRS 12, *Disclosure of Interests in Other Entities.* IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose and other unrecognized entities.
- IFRS 13, *Fair Value Measurement*

  In May 2011, the IASB issued IFRS 13, *Fair Value Measurement.* IFRS 13 will improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS.
- IAS 1, *Presentation of Financial Statements*
  In June 2011, the IASB issued IFRS 1, *Presentation of Financial Statements.* This amendment to IAS 1 aims to improve the presentation of other comprehensive income (loss) items.

These new standards are effective for interim and annual consolidated financial statements of the Corporation for periods beginning on or after April 1, 2013. However, following the IASB's decision in December 2011 to defer mandatory application of IFRS 9, *Financial Instruments*, the standard will be effective for the Corporation as of April 1, 2015.

3. ACCOUNTS RECEIVABLE

	2013 $	**2012** $
Trade accounts receivable	**2,562**	2,291
Investment tax credits	**518**	156
Commodity taxes receivable	**128**	96
Government assistance receivable	**203**	12
	3,411	2,555

4. INVENTORIES

	2013 $	2012 $
Parts and components	**3,064**	3,673
Finished goods	**1,514**	994
	4,578	4,667

Inventories charged to cost of goods sold amounted to $5,556 in 2013 [$3,241 in 2012].

During the year, an impairment charge of $25 [$87 in 2012] was recognized in connection with certain inventories.

5. PROPERTY, PLANT AND EQUIPMENT

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.

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

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.

Cost	March 31, 2011 $	Additions $	Disposals $	Other changes $	March 31, 2012 $
Goods held for lease	**4,105**	**4,118**	—	**102**[(1)]	**8,325**
Furniture and fixtures	**165**	**9**	—	**6**	**180**
Machinery and equipment	**203**	**17**	—	—	**220**
Computer hardware	**591**	**90**	—	**(1)**	**680**
Trade show stands	**1,238**	**533**	**(10)**	**(54)**[(2)]	**1,707**
Leasehold improvements	**470**	**9**	—	—	**479**
	6,772	**4,776**	**(10)**	**53**	**11,591**

(1) Represents the exchange difference.

(2) Includes the cost of trade show stands transferred to inventories during fiscal 2012 in the amount of $24 and an exchange difference of $22.

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

Accumulated amortization	March 31, 2011 $	Amortization $	Disposals $	Other changes $	March 31, 2012 $
Goods held for lease	**424**	**1,188**	—	**38** [(1)]	**1,650**
Furniture and fixtures	**97**	**25**	—	—	**122**
Machinery and equipment	**122**	**35**	—	—	**157**
Computer hardware	**409**	**84**	—	**(1)**	**492**
Trade show stands	**566**	**213**	**(10)**	**(60)** [(2)]	**709**
Leasehold improvements	**456**	**12**	—	—	**468**
	2,074	**1,557**	**(10)**	**(23)**	**3,598**
Net carrying amount	**4,698**				**7,993**

(1) Corresponds to the exchange difference.

(2) Includes the accumulated amortization of trade show stands transferred to inventories during fiscal 2012 in the amount of $21 and an exchange difference of $2.

The allocation of amortization to the various statement of operations line items is disclosed in note 10. No impairment loss was recognized during fiscal 2013 [$4 in 2012].

6. INTANGIBLE ASSETS

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	**64**	(4)	**708**

6. INTANGIBLE ASSETS [Cont'd]

Cost	**March 31, 2011** $	**Additions** $	**Disposals** $	**March 31, 2012** $
Patents	**780**	**180**	—	**960**
D-BOX motion technology	**105**	—	—	**105**
Software	**233**	**141**	—	**374**
	1,118	**321**	—	**1,439**

Accumulated amortization	**March 31, 2011** $	**Amortization** $	**Disposals** $	**March 31, 2012** $
Patents	**366**	**139**	—	**505**
D-BOX motion technology	**105**	—	—	**105**
Software	**112**	**69**	—	**181**
	583	**208**	—	**791**
	535	**113**	—	**648**

The allocation of amortization to the various statement of operations line items is disclosed in note 10. No impairment loss was recognized during fiscal 2013 and 2012. Additions to patents include items that were developed by the Corporation.

7. OTHER ASSETS

	2013 **$**	**2012** **$**
Long-term receivables	**—**	8
Movie theatre motion systems[(1)] [*note 18*]		
Cost	**477**	337
Accumulated amortization	**(228)**	(143)
	249	194
	249	202

[(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 2013, the amortization expense of these systems charged to cost of goods sold amounted to $85 [$89 in 2012].

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2013 $	2012 $
Trade accounts payable	**865**	542
Accrued liabilities	**1,553**	1,101
Credit facility[1]	**16**	27
	2,434	1,670

[1] As at March 31, 2013, the Corporation had a bank credit facility secured by a senior deposit in the amount of $186 [$185 in 2012] accessible via credit card cash advances.

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

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

	Class A common shares	
	#	$
Balance as at March 31, 2011	**163,346,129**	**57,538**
Shares issued on exercise of options	**435,000**	**176**
Balance as at March 31, 2012 and 2013	**163,781,129**	**57,714**

Year ended March 31, 2012

During the year ended March 31, 2012, the Corporation issued 435,000 Class A common shares for a total of $111 in cash on exercise of stock options. An amount of $65, representing the initial fair value of the stock options, was credited to share capital and deducted from the share-based payment reserve.

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.

On June 16, 2011, the Board of Directors repealed the 1999 Plan and established a new stock option plan [the "2011 Plan"], which was approved by the Corporation's shareholders at the shareholders' annual general meeting held on August 24, 2011. The 2011 Plan was adopted following the graduation of Class A common shares of the Corporation from the TSX Venture Exchange to the Toronto Stock Exchange. The Board of Directors of the Corporation deemed it advisable to adopt the 2011 Plan that complies with the applicable rules of the Toronto Stock Exchange.

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;

9. EQUITY [Cont'd]

9.2 Stock option plan [Cont'd]

(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.

As at March 31, 2013 and 2012, 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:

	2013		**2012**	
	Number **#**	**Weighted average exercise price** **$**	**Number** **#**	**Weighted average exercise price** **$**
Balance, beginning of year	**11,125,811**	**0.47**	7,922,811	0.38
Options granted	**1,908,000**	**0.29**	3,869,000	0.64
Options cancelled	**(468,000)**	**0.50**	(106,000)	0.53
Options expired	**(184,000)**	**0.56**	(125,000)	0.42
Options exercised	—	—	(435,000)	0.26
Balance, end of year	**12,381,811**	**0.44**	**11,125,811**	0.47

	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** $
0.23 – 0.41	4,738,411	5.11	0.29	2,648,411	0.28
0.42 – 0.51	3,977,400	5.43	0.44	3,977,400	0.45
0.52 – 0.65	3,666,000	8.06	0.64	1,260,335	0.63
	12,381,811	6.09	0.44	7,886,176	0.41

9. EQUITY [Cont'd]

9.2 Stock option plan [Cont'd]

The fair value for these options was estimated at the date of grant using the Black-Scholes option pricing model based on the following assumptions for 2013: 1.57% weighted average risk-free interest rate [2.53% in 2012]; no dividends; 97.84% weighted average volatility factor of the expected market price of the Corporation's shares [101% in 2012]; 3.37% weighted average cancellation rate [4.15% in 2012]; $0.29 weighted average share price [$0.65 in 2012]; and an expected weighted average option life of 5.4 years [5 years in 2012]. 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 $0.22 per option [$0.49 per option in 2012], amortized through income over the vesting periods of the options. For the year ended March 31, 2013, the share-based compensation expense charged to income amounted to $883 [$1,438 in 2012] with a corresponding amount recognized under share-based payment reserve.

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

10.1 Cost of goods sold and other expenses

Cost of goods sold and other expenses include:

	2013 **$**	**2012** **$**
Amortization of property, plant and equipment *[note 5]*	**2,005**	1,557
Amortization of intangible assets *[note 6]*	**259**	208
Amortization of other assets *[note 7]*	**85**	89
Rent	**278**	268
Investment tax credits	**(362)**	(220)
Government assistance	**(223)**	(23)

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

10.2 Revenue allocation

Revenues are geographically allocated as follows:

	2013 $	2012 $
United States	**5,872**	3,500
Canada	**3,321**	3,377
Europe	**3,085**	1,017
Asia	**1,292**	475
South America	**369**	—
Middle East	**179**	112
Oceania	**111**	345
Other countries	**24**	6
	14,253	8,832

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

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:

	2013 $	2012 $
Inventory cost charges	**5,556**	3,241
Employee costs	**373**	311
Freight charges and import duties	**189**	109
Production supplies	**67**	126
Other	**24**	177
	6,209	3,964

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

10.4 Selling and marketing

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

	2013 **$**	**2012** **$**
Employee costs	**2,635**	2,125
Professional fees	**694**	1,001
Marketing, advertising and promotional material expenses	**182**	600
Share-based payment expense	**255**	431
Trade show expenses	**237**	341
Travel and entertainment expenses	**140**	274
Amortization of property, plant and equipment	**248**	230
Freight charges and import duties	**151**	176
Other	**290**	451
	4,832	5,629

10.5 Administrative expenses

The key components of administrative expenses are detailed as follows:

	2013 **$**	**2012** **$**
Employee costs	**1,510**	1,273
Share-based payment expense	**533**	885
Professional fees	**253**	338
Public company costs	**135**	330
Insurance	**184**	182
Amortization of property, plant and equipment and intangible assets	**193**	163
Director fees	**102**	125
Other	**52**	140
	2,962	3,436

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

10.6 Research and development

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

	2013 **$**	**2012** **$**
Employee costs	**1,047**	1,081
Amortization of assets and patents	**165**	146
Share-based payment expense	**84**	111
Investment tax credits	**(362)**	(220)
Materials and certification	**101**	128
Other	**129**	86
	1,164	1,332

11. INCOME TAXES

11.1 Current income taxes

The income taxes reported in the consolidated statements of operations and comprehensive income 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:

	2013 **%**	**2012** **%**
Income tax recovery using Canadian statutory rates	**26.90**	28.03
Change in income taxes resulting from:		
Effect of different foreign tax rate	**(0.88)**	0.67
Non-deductible expenses and other differences	**(7.84)**	(10.01)
Unrecognized tax benefits of operating losses and other deductions	**(19.79)**	(19.14)
Tax credits not taxable in Québec	**1.38**	0.47
	(0.23)	0.02

11. INCOME TAXES [Cont'd]

11.2 Deferred income taxes

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

	March 31, 2013 **$**		**March 31, 2012** **$**	
	Asset	**Liability**	**Asset**	**Liability**
Deferred income tax assets				
Net operating loss carryforwards	9,805	—	9,500	—
Research and development expenditures	1,668	—	1,491	—
Carrying amounts of property, plant and equipment below tax bases	918	(1,901)	732	(1,825)
Share issue costs and other differences	173	—	258	—
Total deferred income tax assets	12,564	(1,901)	11,981	(1,825)
Unrecognized deferred income tax assets	(10,663)	—	(10,156)	—
	1,901	(1,901)	1,825	(1,825)

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** $
2014	630	609	—
2015	1,524	1,458	—
2026	1,760	1,705	—
2027	1,684	1,649	—
2028	4,350	4,347	16
2029	3,969	3,981	151
2030	4,789	4,802	40
2031	4,441	4,445	2,376
2032	4,002	4,002	3,587
2033	1,088	926	62
	28,237	27,924	6,232

11. INCOME TAXES [Cont'd]

11.2 Deferred income taxes [Cont'd]

The Corporation has approximately $4,864 in scientific research and experimental development expenditures for federal tax purposes and $7,888 for Québec tax purposes available to reduce taxable income in future years, and have an unlimited carry-forward 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	155
	1,689

12. COMMITMENTS

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

	$
2014	208
2015	105
2016	29
2017	1
2018	—
	343

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.

	2013 **$**	**2012** **$**
Undrawn bank credit facilities *[note 8]*	**170**	158
Equity	**22,006**	23,713
	22,176	23,871

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 its predetermined purposes.

14. FINANCIAL INSTRUMENTS

14.1 Fair value of financial instruments

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

	2013		2012	
	Carrying amount $	**Fair value** $	**Carrying amount** $	**Fair value** $
Financial assets				
Loans and receivables:				
Cash and cash equivalents	**5,708**	**5,708**	9,320	9,320
Accounts receivable[(1)]	**2,562**	**2,562**	2,291	2,291
Deposits	**306**	**306**	273	273
Long-term receivables	**—**	**—**	8	8
	8,576	**8,576**	11,892	11,892
Financial liabilities				
Other financial liabilities:				
Accounts payable and accrued Liabilities[(2)]	**2,434**	**2,434**	1,670	1,670
	2,434	**2,434**	1,670	1,670

(1) Excluding commodity taxes receivable, investment tax credits and government assistance receivable.
(2) Excluding income taxes payable administered by government authorities.

The carrying amount of cash and cash equivalents, accounts receivable, deposits and accounts payable and accrued liabilities approximate their fair value given that they will be realized or settled within one year.

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.

14. FINANCIAL INSTRUMENTS [Cont'd]

14.2 Interest rate risk (Cont'd)

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 $57 on net loss and comprehensive loss [$93 as at March 31, 2012].

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.

14.3 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, 2013, two clients accounted for 33% of total accounts receivable and 100% of trade accounts receivable were 90% insured [as at March 31, 2012, two clients accounted for 35% of total accounts receivable and 99% 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 6% as at March 31, 2013 [13% in 2012]. The allowance for doubtful accounts totalled $10 as at March 31, 2013 [$14 as at March 31, 2012]. 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, 2013 and 2012.

14. FINANCIAL INSTRUMENTS [Cont'd]

14.4 Foreign exchange risk

The Corporation is exposed to foreign exchange risk due to cash and cash equivalents, accounts receivable and accounts payable denominated in U.S. dollars. As at March 31, 2013, financial assets, consisting primarily of cash and cash equivalents, accounts receivable and prepaid expenses denominated in U.S. dollars, totalled $1,008, $2,253 and $207, respectively, [$1,831, $1,900 and $167, respectively, as at March 31, 2012] and financial liabilities denominated in U.S. dollars totalled $684 [$790 as at March 31, 2012]. As at March 31, 2013, a 10% increase or decrease in the exchange rate between the U.S. dollar and the Canadian dollar would have had a $283 impact on net loss and comprehensive loss [$386 as at March 31, 2012].

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, 2013, the Corporation's financial liabilities had contractual maturities of under one year and consisted solely of accounts payable and accrued liabilities, amounting to $2,434 [$1,670 as at March 31, 2012].

15. ECONOMIC DEPENDENCE

During fiscal 2013, the Corporation purchased 27%, 10% and 8% of its inventories from three suppliers [21%, 9% and 11% from three suppliers in 2012] and sold 16% and 15% of its products to two clients in the industrial market [31% to one client in 2012].

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 11, 2013, the Company granted 2,425,000 options with an exercise price of $0.19 expiring on April 11, 2023 to employees and consultants.

18. RELATED PARTY TRANSACTIONS

The Corporation sold movie theatre motion systems to an entity controlled by a director of the Corporation. For the year ended March 31, 2013, the Corporation recognized revenues in the amount of $44 [$46 in 2012]. These transactions, carried out in the normal course of business for negotiations with movie theatre clients in the entertainment market, were recorded at the exchange amount, which is the amount of consideration established and agreed to by the parties. As at March 31, 2013, the net cost of these systems amounted to $2 [$34 in 2012], being a cost of $117 [$117 in 2012] and accumulated amortization of $115 [$83 in 2012].

The compensation of key officers of the Corporation is as follows:

	2013	2012
	$	$
Short-term employee benefits	1,193	982
Share-based payments	191	1,274
	1,384	2,256

The amounts shown in the table above represent amounts recorded as expenses related to key officers during the corresponding years.

19. RECLASSIFICATION

Certain figures in the consolidated financial statements as at March 31, 2012 and for the year then ended have been reclassified to conform to the presentation adopted for the year ended March 31, 2013.