

## Saskatchewan Local Policy Statement 6.2

### Annual Information Form and Management's Discussion and Analysis of Financial Conditions and Results of Operations

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## **Saskatchewan Local Policy Statement 6.2**

### **Annual Information Form and Management's Discussion and Analysis of Financial Conditions and Results of Operations**

#### **Introduction**

The primary objective of this policy is to enhance investor understanding of the issuer's business by providing supplemental analysis and background material to allow a fuller understanding of the nature of an issuer, its operations and known prospects for the future.

**This policy is substantially the same as the Ontario Securities Commission Policy Statement 5.10 "Annual Information Form and Management's Discussion and Analysis of Financial Conditions and Results of Operations ("OSC 5.10"). The major change made is with respect to the effective date of the policy; see Section A, paragraph 6, for the effective date. Any other changes that were made in this policy statement were done to identify sections of The Securities Act, 1988, S.S. 1988, c. S-42.2 (the "Act") and Saskatchewan Local Policy Statements.**

At present certain issuers provide discussion and analysis of annual financial statements which varies widely both in breadth and depth. Further, uneven quality and considerable variation in the manner and location of this information renders comprehension and comparison more difficult. This policy seeks to create a uniform framework within which issuers will provide a meaningful discussion and analysis of past corporate performance and future prospects.

There are practical constraints on the amount of information that can be effectively conveyed in financial statements, which are subject to generally accepted accounting and auditing standards. Important transactions, events and conditions are not always fully reflected in the financial statements and some are not easily expressed in dollar amounts. Additional disclosure and analysis beyond the financial statements is necessary to provide an adequate basis for assessment of an issuer's recent history and outlook for the future. This policy requires such expanded disclosure.

This policy is divided into three sections. Section A represents the General Instructions for both the annual information form and management's discussion and analysis of financial condition and results of operations. It contains matters such as specific exemptions for certain types of issuers (eg., smaller sized issuers, mutual funds, foreign issuers and SEC registrants); filing and publication requirements; implementation dates; comments on the concepts of forward-looking information and materiality; and the effect of the policy on Saskatchewan Local Policy Statement 4.4 "Prompt Offering Qualification System" ("Sask. L.P. 4.4"). Section B of this policy contains the annual information form requirements, and Section C contains the management's discussion and analysis of financial condition and results of operations.

## **A. General Instructions**

### **Application**

1. These requirements apply to all reporting issuers, other than those exempted under paragraphs 2, 3, 4 and 5 of this section. The issuer means the reporting issuer, its subsidiaries and other investees.

The disclosure required shall include that relating to each subsidiary or investor of an issuer whose total assets constitute more than 10% of consolidated assets of the issuer at the most recent fiscal year end or whose total revenues constitute more than 10% of consolidated revenues of the issuer for the most recent fiscal year.

For the purposes of this policy, security holders means holders of the issuer's securities other than debt instruments. A foreign issuer means an issuer which is not incorporated, organized, or continued under the laws of Canada or a province or territory of Canada.

### **Exemptions**

2. Mutual funds, including commodity pools, are exempt from these requirements.
3. Issuers with shareholders' equity of \$10,000,000 or less and revenues of \$10,000,000 or less as reported in the annual financial statements are exempt from these requirements.

Issuers shall comply with these requirements in respect of the fiscal year immediately following the fiscal year in which the issuer exceeds the \$10,000,000 size test.

- 3A. An issuer which has only non-convertible debt securities held by members of the public is exempt from this policy.
4. An issuer that is a registrant with the Securities and Exchange Commission ("SEC") of the United States of America may satisfy the Annual Information Form ("AIF") requirement by filing with the Commission and making available to its security holders a current Form 10-K or 20-F filed with the SEC pursuant to the Securities Exchange Act of 1934 ("Exchange Act").

An issuer that is a SEC registrant may satisfy the management's discussion and analysis of financial condition and results of operations ("MD&A") requirement by complying with the analogous requirements applicable to it in the United States of America.

Foreign issuers utilizing this exemption shall file and mail or make available to security holders within the time period required by U.S. law. Canadian issuers utilizing this exemption shall file and mail within the earlier of the time periods required by the Commission and the SEC.

5. Foreign issuers, other than SEC registrants subject to requirements to file a Form 10-K or 20-F with the SEC, are exempt from the requirements of this policy.
- 5A. The Director may waive the provisions of this policy where an issuer establishes that such a waiver would not be prejudicial to the public interest.

### **Effective Date**

6. All issuers are required to comply with this policy commencing with their fiscal year end, which ends on or after September 30, 1990.

### **AIF - General Matters**

7. Any of the information required in the AIF may be incorporated by reference. Where information is incorporated by reference in an AIF, the referenced document shall be clearly identified and shall be referenced by page, caption, paragraph or otherwise. All referenced documents shall accompany the AIF when filed with the Saskatchewan Securities Commission (the "Commission") or sent to security holders or other interested parties.
8. The face page of the AIF shall be dated no earlier than the date of the auditors' report on the annual financial statements and disclosures shall be at that date.
9. For issuers in the Prompt Offering Qualification System ("POP" system), the AIF requirements in Sask. L.P. 4.4 correspond to those in this policy statement. Both the AIF and the MD&A shall be incorporated by reference into the short form prospectus by Item 12 of Appendix A to Sask. L.P. 4.4, and accordingly, shall be subject to the certification contained in the short form prospectus.

The extension of the AIF requirement to a much broader group of issuers beyond those presently in the POP system does not alter the eligibility requirements for POP issuers.

### **Extent of Disclosure**

10. The segmented information required in Item 3 of the AIF goes beyond the requirements of Section 1700 of the Canadian Institute of Chartered Accountants ("CICA") Handbook.

However, the required information is built on the CICA disclosure framework.

11. Generally, information shall be presented as at the end of the last completed fiscal year. Where material events or conditions have arisen subsequent to the end of the last completed fiscal year but prior to the date of preparation of the AIF or MD&A, this updated information shall be included in the AIF or MD&A.
12. The focus of the AIF and MD&A disclosure shall be on the issuer. There is no requirement to provide extensive discussion of factors external to the issuer, except to the extent that external factors affect the business of the issuer.
13. The instructions for the preparation of the AIF and MD&A only apply to material items.

Materiality is a matter of judgement in particular circumstances, and should generally be judged in relation to an item's significance to decision makers. An item of information, or an aggregate of items, is material if it is probable that its omission or misstatement would influence or change a decision.

In determining whether information is material, an issuer shall take into account both quantitative and qualitative factors.

While this concept of materiality is broader than the definition of "material change" in the Act, it is consistent with the financial reporting notion of materiality contained in the CICA Handbook.

14. The instructions for the preparation of the AIF and MD&A require issuers to discuss certain forward-looking information. Required disclosure is based on presently known trends, commitments, events, and uncertainties that are reasonably expected to materially affect the issuer. A disclosure duty exists where a trend, commitment, event or uncertainty is both presently known to management and reasonably expected to have a material impact on the issuer's business, financial condition or results of operations. This Policy Statement requires a discussion of forward-looking information based on the issuers expectations as of the date of the AIF.

Issuers are encouraged, but not required, to supply other forward-looking information.

Optional forward-looking disclosure involves anticipating a future trend or event or anticipating a less predictable impact of a known event, trend or uncertainty. This other forward-looking information is to be distinguished from presently known information which is reasonably expected to have a material impact on future operating results, such as known future increases in costs of labour or materials, which information is required to be disclosed.

Although information provided under this Policy Statement may involve some prediction or projection of the future, these instructions do not call for a forecast or projection as defined by the CICA Handbook. In the event that an issuer chooses to provide a forecast or projection, the application of Saskatchewan Local Policy Statement No. 4.6 "Future-Oriented Financial Information" must be considered.

### **Timing for Filing and Mailing**

15. The AIF must be filed with the Commission within 140 days from the end of each fiscal year of the issuer and made available to security holders of the issuer upon request. Also, the issuer shall provide this document to any other person or company upon request, provided that the issuer may require the payment of a reasonable charge from such a person or company.

MD&A shall accompany the annual audited financial statements of the issuer and be mailed to all security holders and be filed with the Commission within 140 days from the end of each fiscal year of the issuer.

Where an issuer files an annual report containing the annual financial statements it is acceptable to include the MD&A in the annual report.

Where issuers that are required under law to mail annual financial statements to security holders prior to 140 days after the fiscal year end and they prepare two documents containing the annual financial statements, the MD&A shall accompany at least one of the documents, shall be mailed to security holders and filed with the Commission within 140 days of the issuer's last fiscal year end.

### **Interim Financial Statements**

16. There is no requirement for MD&A to accompany interim financial statements required under section 86 of the Act. However, issuers are encouraged to provide significant MD&A disclosures with their interim financial statements.

### **Auditor Involvement**

17. There is no regulatory requirement for auditor involvement with respect to the preparation of the AIF and MD&A. However, issuers may choose to involve their auditors. The auditing profession's standards may require limited auditor involvement in certain circumstances such as where MD&A accompanies an issuer's audited financial statements.

## **Commission Staff Review**

18. Disclosure made in the AIF and MD&A will be subject to a selective review by Commission staff. The review process will take place after the filing and it is anticipated that in most instances staff will accept resolution of deficiencies in future filings. However, where substantial deficiencies are encountered, restatement and reissuance will be sought.

## **Fees**

19. For details of fees payable on the filing of documents covered by this policy see Appendix B.

## **B. Annual Information Form**

### **General Statement**

The AIF is intended to provide relevant background material essential to a proper understanding of the nature of the issuer, its operations, and prospects for the future. Issuers are required to disclose information about presently known trends, commitments, events or uncertainties that are reasonably expected to have a material impact on the issuer's business, financial condition or results of operations.

### **Specific Instructions**

#### **Item 1:**

#### **Incorporation**

1. Incorporation or Organization of the Issuer

State the statute under which the issuer is incorporated, continued or organized. State whether the articles or other constating documents of the issuer have been amended and describe the substance of the amendments.

2. Subsidiaries

Provide a list of each subsidiary of the issuer as of the most recent fiscal year end, indicating the jurisdiction of incorporation, continuance, or organization and stating separately the percentage of voting securities beneficially owned or over which control or direction is exercised, by the issuer. Also disclose the percentage of each class of non-voting securities owned. A subsidiary that does not meet the size criteria set out in the General Instructions (paragraph 2) may be



excluded, provided that such excluded subsidiaries, in the aggregate, represent less than 30% of total consolidated revenues or total consolidated assets of the issuer.

**Item 2:****General Development of the Business**

Briefly describe the business of the issuer. This description shall encompass the general development of the business of the issuer over the last five years. This discussion shall include only major events or conditions that have influenced the general development of the business. Changes in the business that are expected shall also be discussed.

**Item 3:****Narrative Description of the Business**

1. Describe the business with reference to the dominant industry segment of the issuer or each reportable industry segment of the issuer. The description shall focus upon: (i) industry segments as defined in Section 1700 of the CICA Handbook; and (ii) the issuer's business in general.

The disclosure for each industry segment of the issuer shall include the following information:

- (a) Principal products or services, methods of distribution of these products or services, and principal markets. In addition, for each of the last two completed fiscal years, as dollar amounts or as percentages, revenue from third parties for each category of principal products or services which accounts for 15% or more of total consolidated revenues for all segments for the applicable fiscal year. (See Appendix A for suggested format for presenting this segmented information);
- (b) When sales are made to or income received from one customer (by one or more segments) amount, in the aggregate, to 10% or more of consolidated revenues, the number of such customers and the aggregate percentage of sales to or income from those customers. Where it is known that a group of customers is under common control, the group shall be considered one customer;
- (c) Where more than 40% of an industry segment's sales are made to a geographic segment, the geographic segment and the percentage of the industry segment's sales made to such geographic segment;

- (d) When there has been a public announcement of the introduction of a new product or industry segment, the status of the product or segment;
- (e) The sources and availability of raw materials;
- (f) The importance, duration, and effect on the segment of intangibles such as patents, trademarks, licences, and franchises;
- (g) The extent to which the business of the industry segment is seasonal;
- (h) A description of any aspect of the issuer's business that may be affected in the current fiscal year by renegotiation or termination of contracts or sub-contracts;
- (i) With respect to the natural resource operations of an issuer, other than oil and gas:
  - (i) the location, size and net interest in important properties and the nature of the right to hold or operate the properties as at the most recent fiscal year end;
  - (ii) reserves by deposit and by category reporting proven, probable and possible reserves (all as defined in National Policy No. 2-A) as at the most recent fiscal year end;
  - (iii) a reconciliation of reserves by category as at the fiscal year end immediately preceding the most recent fiscal year to the information furnished under (ii) above, including the effects of production, acquisition, discoveries, etc.;
  - (iv) the dollar amounts expended on exploration and development in the last two completed fiscal years;
- (j) With respect to the oil and gas operation of an issuer:
  - (i) the number of wells the issuer has drilled or participated in, the number of such wells completed as oil wells and gas wells capable of production, and the number of dry holes expressed in each case as gross and net wells, during each of the last two fiscal years of the issuer;
  - (ii) important oil and gas properties, plants, facilities and installations owned, leased or held under option as at the most recent fiscal year end;

- (iii) the location by province or state if in Canada or the United States and by country otherwise, of important producing wells and non-unitized wells capable of producing in which the issuer had an interest as at the most recent fiscal year end, with the interest expressed in terms of net wells, separately for oil wells and gas wells;
  - (iv) with respect to interests in properties on which there are no current reserves, the gross acreage in which the issuer has an interest as at the most recent fiscal year end and the issuer's net interest in the acreage and the geographical location of such acreage;
  - (v) the quantity and type of the estimated proved and developed reserves, and proved and undeveloped reserves (all as defined in National Policy No. 2-B) on both a gross and net basis of crude oil, natural gas and natural gas liquids as at the most recent fiscal year end. Where royalty rates are subject to noticeable variation, provide a brief discussion of these variations;
  - (vi) a reconciliation of the reserves as at the fiscal year end immediately preceding the most recent fiscal year to the reserve information furnished under (v) above, including the effects of production, acquisitions, discoveries, etc.;
  - (vii) the dollar amounts expended on exploration, including drilling, and on development for the last two fiscal years of the issuer;
- (k) If estimates of reserves are represented as being based on estimates prepared or reviewed by an independent engineer or other expert or consultant, identify the independent engineer or other expert or consultant. The Director may request that a copy of the full report of such engineer or other expert or consultant be furnished to the Director as supplemental information and not as material filed as part of these requirements;
- (l) With respect to bank operations of an issuer's business, the following:

Loan terminology referred to herein shall have the meaning attributed thereto in the Non-Performing Loan Paper: Disclosure Guidelines for Canadian Chartered Banks, published by the Office of the Inspector General of Banks on July 1, 1986.

- (i) Non-Performing Loans

- (A) dollar amount of non-accrual consumer loans by personal plan and credit card category as at the most recent fiscal year end;
- (B) dollar amount of non-accrual loans by Canadian residents and residents elsewhere as at the most recent fiscal year end;
- (C) in aggregate, for sovereign risk and private sector loans to banks and other entities disclose the dollar amount of non-personal renegotiated reduced rate loans by Canadian residents and residents elsewhere as at the most recent fiscal year end in excess of the greater of: (1) 1/10 of 1% of the aggregate paid-in capital, contributed surplus and retained earnings of the bank at such time; and (2) \$500,000;

(ii) Other Past Due Loans

dollar amount of loans 90-179 days past due and 180 days or more past due, separately, for loans by Canadian residents and residents elsewhere as at the most recent fiscal year end;

(iii) Interest Income

separately, interest income as reported for the most recently completed fiscal year for domestic and international non-accrual loans, renegotiated reduced rate loans, and other past due loans;

(iv) Loans with Provisions for Doubtful Credits

for sovereign risk and private sector loans to banks and other entities, the dollar amount of loans with provision for doubtful credits other than general country risk provisions as at the most recent fiscal year end;

(v) Restructured Loans

- (A) dollar amount of loans classified as restructured loans in the last fiscal year for loans by Canadian residents and residents elsewhere;
- (B) dollar amount of loans classified as restructured loans in the last fiscal year listed by country for sovereign risk and private sector loans to banks and other entities;

- (vi) Foreign Loans
  - (A) for countries designated by the Office of the Superintendent of Financial Institutions as requiring provisions against general country risk (the "designated countries"), total claims for sovereign risk and private sector loans to banks and other entities by country as at the most recent fiscal year end;
  - (B) total sovereign risk claims by country for any other countries towards which provisions against claims have been established as at the most recent fiscal year end;
- (vii) Allowance for Credit Losses
  - (A) dollar amount of specific provisions as at the most recent fiscal year end;
  - (B) dollar amount of provisions for doubtful credits as at the most recent fiscal year end;
  - (C) dollar amount of general country risk provisions for designated countries by country, or countries if the general provision is established on a basket of countries as at the most recent fiscal year end;
- (m) For trust, mortgage loan and credit union (caisse populaire) operations of the issuer's business the following:
  - (i) separately, interest income for personal, commercial, and mortgage loans as reported for the most recently completed fiscal year;
  - (ii) dollar amount of loans 90-179 days past due and 180 days or more past due separately for personal, commercial and mortgage loans as at the most recent fiscal year end;
  - (iii) dollar amount of provisions with respect to loans disclosed under (ii) above as at the most recent fiscal year end;
- (n) State briefly the location and general character of the principal plants and other properties of the issuer.

Identify the industry segments that use the properties described. If the title to any such property is not freehold or it is held subject to any major encumbrance, so state and describe briefly how held.

2. With respect to the issuer's business in general, discuss the following matters and identify the industry segments affected:
  - (a) The competitive conditions in the principal markets in which the issuer operates, including an assessment of the issuer's competitive position if possible;
  - (b) The dollar amount spent by the issuer on research and development activities;
  - (c) The financial or operational effect of environmental protection requirements on the capital expenditures, earnings and competitive position of the issuer for the current fiscal year and any expected impact on future years;
  - (d) The number of employees, as at the most recent fiscal year end or as an average for the year, whichever is more relevant; and
  - (e) Any risks associated with the foreign operations of the issuer and any dependence of one or more of the issuer's industry segments upon such foreign operations.

#### **Item 4:**

#### **Selected Consolidated Financial Information**

1. Provide the following financial data for the issuer for the last five completed fiscal years, in summary form accompanied by a discussion of those factors affecting the comparability of the data. Factors affecting the comparability of the data include changes in accounting policies, significant acquisitions or disposals and major changes in the direction of the business:
  - (a) Net sales or total revenues;
  - (b) Profit or loss before extraordinary items, in total and per equity share;
  - (c) Total assets;
  - (d) Total dollar amount of long-term debt, retractable preferred shares and redeemable

preferred shares where the redemption privilege is expected to be exercised (excluding dollar amounts expected to be repaid, retracted or redeemed in the current fiscal year);

- (e) Cash dividends declared per share for each class of share; and
  - (f) Net earnings, in total and on a per equity share and full diluted equity share basis.
2. For each of the last eight quarters ending with the most recently completed fiscal year, provide the information required in sub-paragraphs (a), (b) and (f). If the issuer is only required to file six month interim financial statements, for each of the last 4 completed six month periods ending with the most recently completed fiscal year, provide the information required in sub-paragraphs (a), (b) and (f).
  3. Describe any restriction which could prevent the issuer from paying dividends. Disclose the issuer's dividend policy and where there is an authorized intention to change the dividend policy in the near future, disclose the intended change in dividend policy.

**Item 5:**

**Management's Discussion and Analysis**

Incorporate by reference or reproduce the disclosure required under Part III of this Policy Statement.

**Item 6:**

**Market for Securities**

Identify the exchange(s) or quotation system(s) on which the issuer's securities are listed and posted for trading or quoted.

**Item 7:**

**Directors and Officers:**

1. List the names and municipality of residence for all the directors and officers of the issuer and indicate their respective principal occupations within the five preceding years.

2. State the period or periods during which each director has served as a director and state when the term of office of each director will expire.
3. State the percentage of securities of each class of voting securities of the issuer or any subsidiary thereof beneficially owned, directly or indirectly, or over which control or direction is exercised by all directors and senior officers of the issuer as a group.
4. State whether the issuer has an executive committee or is required to have an audit committee, and, if so, name those directors who are members of each such committee.

**Item 8:**

**Additional Information**

Include a statement to the effect that additional information, including directors' and officers' remuneration and indebtedness, principal holders of the issuer's securities, options to purchase securities and interests of insiders in material transactions, where applicable, is contained in the issuer's information circular for its most recent annual meeting of shareholders which involved the election of directors, that additional financial information is provided in the issuer's comparative financial statements for its most recently completed financial year, and that a copy of such documents may be obtained upon request from the secretary of the issuer.

**Appendix A - Industry Segments**

The table set forth below is illustrative of the format that might be used for presenting the segment information required by Item 3 (1) (a) regarding industry segments and classes of similar products or services.



**Financial Information Relating to Industry Segments and Classes of Products or Services**

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	YEAR	
	1	2

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Sales to third party customers:

Industry segment A:

Class of product 1 .....  
 Class of product 2 .....

Industry segment B:

Class of product 1 .....  
 Class of product 2 .....

Industry segment C: .....

Other Industries: .....

Total: .....

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## **C. Management's Discussion and Analysis of Financial Condition and Results of Operations**

### **General Statement**

1. MD&A is supplemental analysis and explanation which accompanies but does not form part of the financial statements. MD&A provides management with the opportunity to explain in narrative form its current financial situation and future prospects. MD&A is intended to give the investor the ability to look at the issuer through the eyes of management by providing both a historical and prospective analysis of the business of the issuer. MD&A requirements ask management to discuss the dynamics of the business and to analyze the financial statements. Coupled with the financial statements this information should allow investors to assess an issuer's performance and future prospects.

Known material trends, commitments, events or uncertainties that are reasonably expected to have a material impact on the issuer's business, financial condition or results of operations are to be disclosed. The focus of MD&A is on information about the financial condition of an issuer as well as its operations with particular emphasis on liquidity and capital resources. Sufficient information on risks and uncertainties should be provided given the rapidly changing economic environment within which most issuers operate.

To allow issuers to discuss their business in the manner most appropriate to their individual circumstances, to encourage flexibility and to avoid boilerplate, the MD&A instructions are intentionally general and contain a minimum of specific requirements.

### **Specific Instructions**

#### **Item 1:**

##### **1. General**

- (a) Discuss and compare the issuer's financial condition, changes in financial condition and results of operations for the last two completed fiscal years. Provide any information necessary to understand this discussion and comparison.

Where a discussion of segment information or of other division of the business would be appropriate or necessary to an understanding of such business, focus the discussion on each relevant, reportable segment or other division of the business and on the issuer as a whole. In making this determination consideration should be given to whether any

segment or other division of the business has a disproportionate effect on revenues, profitability or cash needs; or whether there are legal or other restrictions upon the free flow of funds from one segment, subsidiary or division of the issuer to others; or whether known trends, demands, commitments, events or uncertainties within a segment are reasonably likely to have an effect on the business as a whole. The discussion should include internal factors as well as relevant economic and industry factors affecting the issuer;

- (b) The discussion and analysis shall focus on the financial statements and on financial, operational and other data that the issuer believes will enhance a reader's understanding of the issuer's financial condition, changes in financial condition and results of operations;
- (c) Issuers need only include information in their discussion and analysis that is available to the issuer without undue effort or expense and which does not clearly appear in the issuer's financial statements;

The discussion and analysis should principally explain why changes have or have not occurred in the financial condition and results of operations of the issuer. This should include a discussion of the effect of discontinued operations and extraordinary items where these items have had or are expected to have an effect on the financial condition and results of operations of the issuer. The numerical data included in or readily calculable from the financial statements and reports need not be repeated in the discussion. For example, it is clear from the comparative financial statements what the amount of increase or decrease in revenues is from the prior year and the respective percentage change is readily computable;

- (d) Describe the causes of changes in the financial statements from year to year to the extent necessary to understand the business as a whole. An overall analysis of causes affecting more than one item will be sufficient;
- (e) Disclose information on risks and uncertainties facing the issuer necessary for an understanding of the issuer's financial condition, changes in financial condition and results of operations. The emphasis should be on disclosing risks and uncertainties likely to be factors within the next two years.

Discuss and analyze risks, events and uncertainties that would cause reported financial information not necessarily to be indicative of future operating results or of future financial condition. This would include descriptions and amounts of:

- (i) matters that would have an impact on future operations and have not had an impact in the past, and
  - (ii) matters that have had an impact on reported operations and are not expected to have an impact upon future operations;
- (f) Disclose, if known, the estimated effect on the financial statements of the implementation of any changes in accounting policies adopted subsequent to the most recent fiscal year end or expected or known but not yet implemented changes in accounting policies;
- (g) Provide information about the nature and magnitude of financial instruments and their effect on the issuer's liquidity, capital resources and results of operations.

At the present time there is no widely accepted definition of financial instruments. Accounting standard setting bodies in several major jurisdictions are working on projects which will define financial instruments and recommend appropriate accounting and disclosure requirements in this area. Information about financial instruments may be important to gaining an understanding of the issuer's liquidity, capital resources and results of operations. Financial instruments include financing instruments (debt and equity instruments), asset backed securities (eg. mortgage backed securities, repurchase agreements) and hedging instruments (eg. future contracts, options and swaps). These categories and examples are not exhaustive and judgement must be used to identify other financial instruments; and

- (h) When an issuer intends to proceed with a business acquisition or disposition or asset acquisition or disposition not in the normal course of operations that will have a material effect on the future financial condition or results of operations of the issuer, the transaction and its effect should be discussed as part of MD&A. Disclosure must be made when a decision to proceed with the transaction has been made by the issuer's board of directors or by senior management with the expectation of concurrence from the board of directors. If this disclosure is considered unduly detrimental to the issuer confidentiality may be requested in conjunction with a confidential filing pursuant to section 84 of the Act.

## **2. Liquidity**

Discussions of liquidity and capital resources may be combined whenever this facilitates the discussion. The discussion of liquidity shall be on both a historical and prospective basis in the

context of the issuer's business (eg. a discussion of working capital may be appropriate for certain manufacturing, industrial or related operations but might be inappropriate for a financial institution or public utility) and shall focus on the ability of the issuer to generate adequate amounts of cash and cash equivalents when needed. The discussion of liquidity and capital resources should focus on both short term and long term needs. Generally, short term liquidity and short-term capital resources relate to cash needs for the next 12 months.

This discussion should encompass matters such as the issuer's need to settle obligations as they mature and to maintain capacity to provide for planned growth.

- (a) Identify any known trends or expected fluctuations in the issuer's liquidity, taking into account known demands, commitments, events or uncertainties. If a deficiency is identified indicate the course of action that has been taken or is proposed to be taken to remedy the deficiency;
- (b) Describe those balance sheet conditions or income or cash flow items which the issuer believes may be indicators of its liquidity condition;
- (c) Disclose the requirements relating to working capital items (e.g., where significant quantities of inventory are required to be carried to meet rapid delivery requirements of customers or where extended payment terms have been provided to customers);
- (d) Disclose the nature and extent of legal or practical restrictions on the ability of subsidiaries to transfer funds to the issuer. Disclose the impact such restrictions have had and are expected to have on the ability of the issuer to meet its obligations; and
- (e) If the issuer is in arrears on the payment of dividends, interest, or principal payment on borrowings, disclose this fact and provide details. If the issuer is in default on any debt covenants at the present time or was in default during the most recently completed fiscal year, disclose information concerning the default.

### **3. Capital Resources**

Capital resources means indebtedness, share capital of the issuer and any other financial arrangement, whether reflected on the balance sheet or not, that can reasonably be considered to provide resources. (eg. leases and put options).

- (a) Describe and quantify commitments for capital expenditures as of the end of the last completed fiscal year, and indicate the general purpose of such commitments and the

anticipated source of funds needed to fulfil such commitments. Also quantify expenditures that are necessary but not yet committed to meet plans discussed under MD&A or elsewhere in the AIF material; and

- (b) Describe any known trends, favourable or unfavourable, in the issuer's capital resources. Indicate any expected changes in the mix and relative cost of such resources. Briefly discuss other sources of financing that have been arranged but not yet utilized.

#### **4. Results of Operations**

- (a) Describe any unusual or infrequent events or transactions or any significant economic changes which materially affect income from continuing operations and the extent to which income from continuing operations was affected. Also disclose any other significant components of revenue or expense necessary to understand the results of operations;
- (b) Describe any known trends or uncertainties that have had or that the issuer reasonably expects will have a favourable or unfavourable impact on net sales or revenues or income from continuing operations. If the issuer knows of events that are expected to cause a change in the relationship between costs and revenues (such as known future changes in costs of labour or materials or price changes or inventory adjustments), the change in the relationship shall be disclosed;
- (c) Provide a narrative discussion of the extent to which any changes in net sales or revenues are attributable to changes in selling prices or to changes in the volume or quantity of goods or services being sold or to the introduction of new products or services; and
- (d) Discuss briefly any impact of inflation and specific price changes on the issuer's net sales and revenues and on income from continuing operations. For purposes of the discussion, no specific numerical financial data need be presented.

#### **Appendix B - Fees**

1. The fee for filing an AIF is:
  - (a) \$600.00 for an issuer in the POP system (s.2(3)(d) of Appendix A to The Securities Regulations ("the Regulations"));
  - (b) \$100.00 for an issuer who is not in the POP system (GRO 21).

2. There is no fee for filing the MD&A. MD&A will generally be included in an issuer's annual report.
3. The fee for filing an issuer's annual audited financial statements is \$100.00 (s.1(4)(i) of Appendix A to the Regulations). If an issuer files its annual report containing its audited financial statements and does not file its audited financial statements separately, the fee is still \$100.00.

Adopted by the Commission  
effective this 6th day of December, 1990

Amended effective September 11, 1991

" Marcel de la Gorgendière "  
Marcel de la Gorgendière, Q.C.  
Chairman