

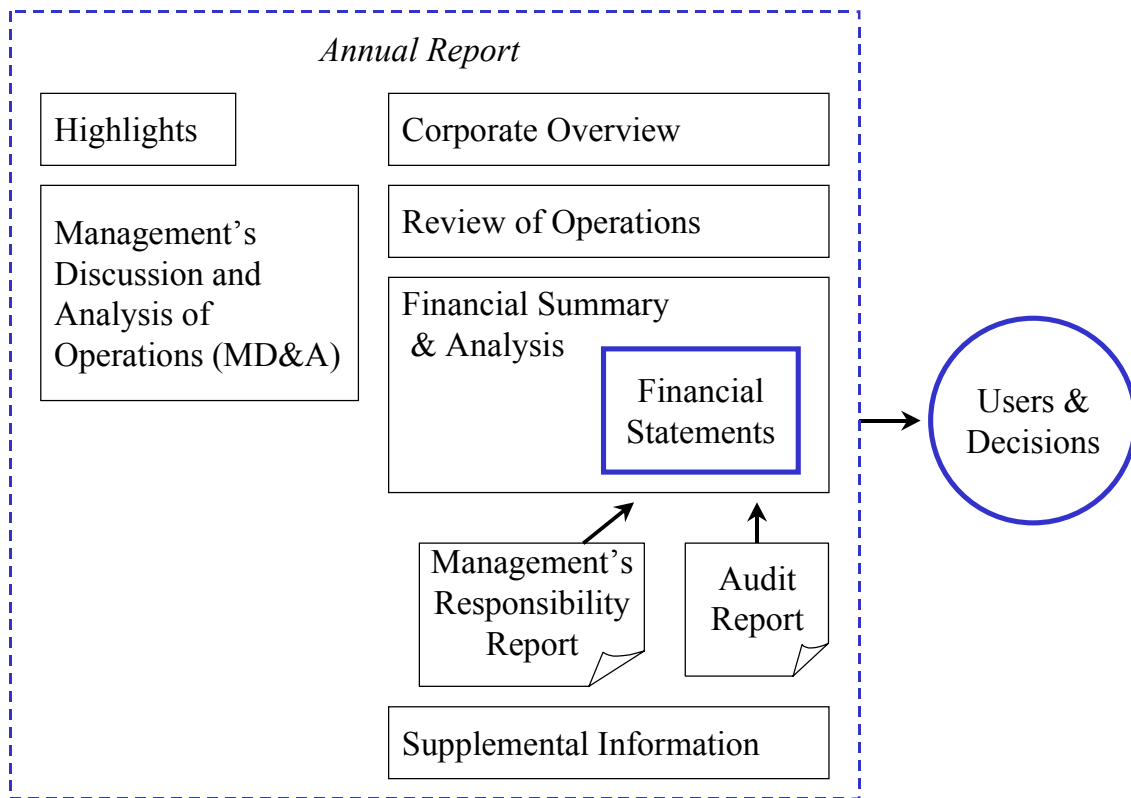
NOTE ON THE ANNUAL REPORT

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Definition

Annual report are: “The information provided annually by the directors or management of an organization to the shareholders, owners, members, or other interested parties, concerning operations and financial position. Usually, it includes the annual financial statements, the auditor’s report thereon, and reports by officers or directors.”. (CICA, 1992, p.13)

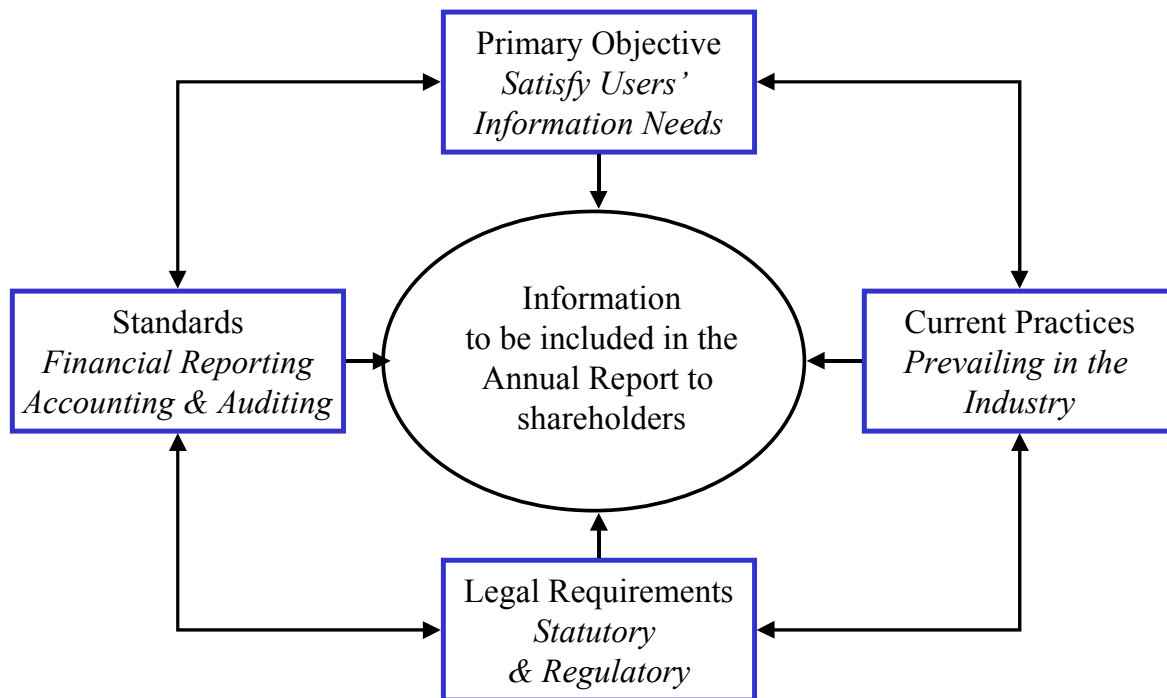
Annual Report



Primary Objective of the Annual Report

“To communicate in a readily understandable way timely, reliable and relevant information on the past, present and future activities of an organization as a basis for making economic decisions”. (CICA, 1991, p.30)

Financial Reporting Environment



Source : CICA (1991, p.29)

Annual Report Information Content and Ratings of Importance

The following table set out the information content of annual reports under four broad categories identified by the CICA study group on annual report (CICA, 1991):

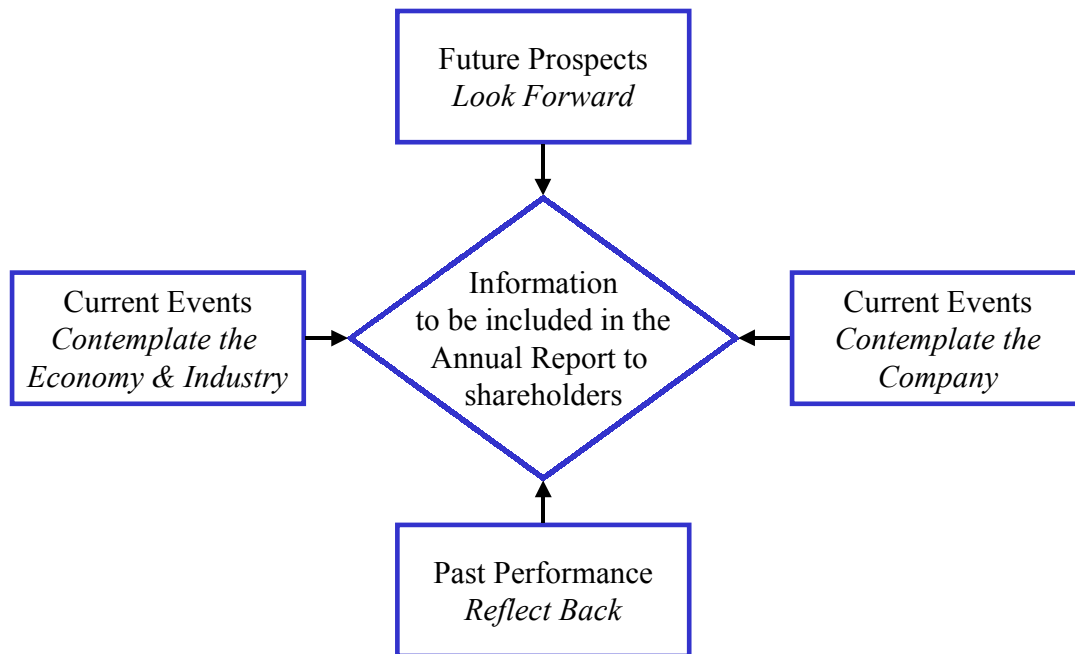
- Corporate overview,
- Review of operations,
- Financial summary & analysis,
- Supplemental information.

	Disclosure of Information in the Annual Report		
	Essential	Desirable	Optional
A. CORPORATE OVERVIEW			
A1 Corporate profile	X		
A2 Organizational structure	X		
A3 Products, services and markets	X		
A4 Commentary on industry and economy	X		
A5 Corporate mission		X	
A6 Outlook	X		
A7 Human resources	X		
A8 Social responsibilities		X	
A9 Environmental responsibilities	X		
A10 Chairman's /president's letter	X		
A11 Statement of management's responsibility	X		
B. REVIEW OF OPERATIONS			
B1 Overall review and interpretation	X		
B2 Segment review of operations	X		
B3 Competitive conditions		X	
B4 Management structure			X
B5 Financial and operating objectives	X		
B6 Performance compared to objectives	X		
B7 Record of adaptive ability	X		
B8 Research and development	X		
B9 Forward-looking information	X		
B10 Risks and uncertainties	X		
B11 Significant agreements and contracts	X		
B12 Industry specific data		X	
B13 Production information		X	
B14 Budget data			X

	<u>Disclosure of Information in the Annual Report</u>		
	<u>Essential</u>	<u>Desirable</u>	<u>Optional</u>
C. FINANCIAL SUMMARY AND ANALYSIS			
C1 Financial statements / Auditor's report	X		
C2 Proposed accounting policy changes	X		
C3 Comparative financial highlights	X		
C4 Analysis of operating results	X		
C5 Analysis of financial position	X		
C6 Analysis of changes in financial condition	X		
C7 Historical summary	X		
C8 Segment analysis	X		
C9 Liquidity and capital resources	X		
C10 Review of capital expenditures	X		
C11 Effects of inflation and changing prices			X
C12 Post-retirement benefits			X
C13 Quarterly financial information		X	
C14 Value added information		X	
C15 Share data	X		
C16 Ratio analysis / statistical data	X		
D. SUPPLEMENTAL INFORMATION			
D1 Corporate directory	X		
D2 Management committees		X	
D3 Glossary of terms			X
D4 Table of contents	X		
D5 Investor relations information		X	
D6 Company ownership and control	X		

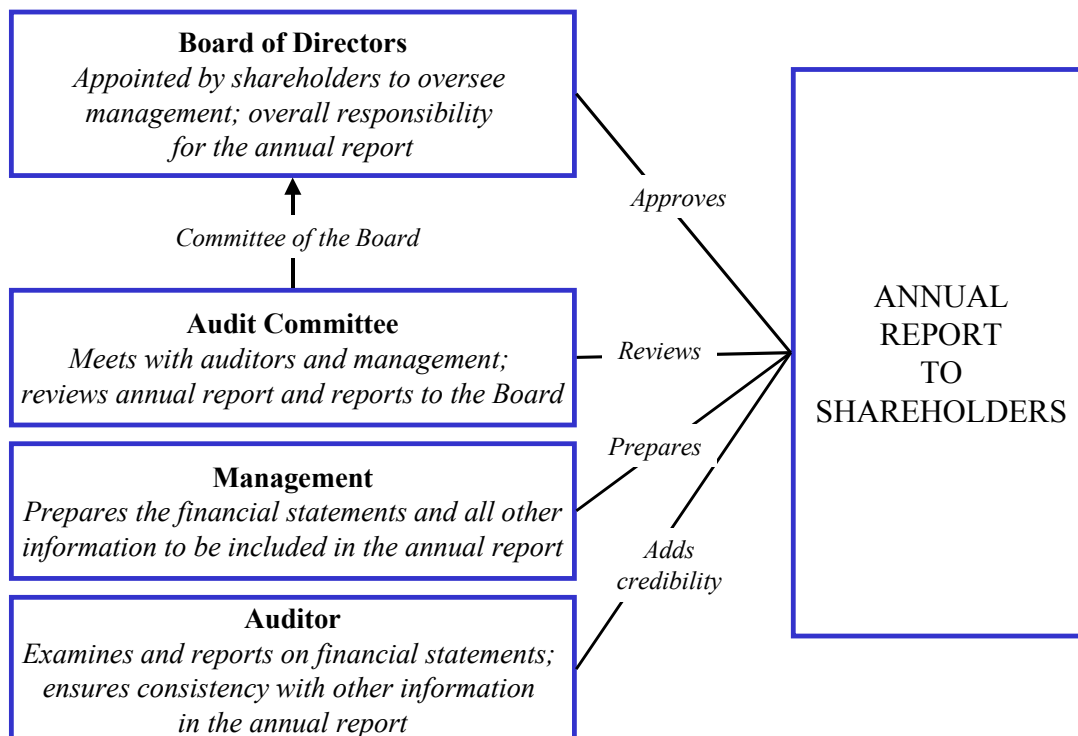
(Source: CICA, 1991, p.xiii-xiv)

Financial Reporting : Past, Present and Future Activities



Source : CICA (1991, p.3)

Financial Reporting Responsibilities



Source : CICA (1991, p.21)

Management's Discussion and Analysis (MD&A)

Definition

“A formal report by management, required under securities legislation, that purports to explain the corporation's financial situation and performance and the risks and uncertainties facing the business”. (CICA, 1992, p.132)

Purpose of MD&A

“The purpose of MD&A is, as regulators have determined, to provide a narrative explanation, through the eyes of management, of how a company has performed in the past and its future prospects. The MD&A supplements financial statements by providing analysis of historical performance data; it complements financial statements by providing contextual and prospective information that financial statements do not provide”. (CICA - MD&A 110.1)

General Disclosure Principles

1. Through the eyes of management
A company should disclose information in its MD&A that enables readers to view the company through the eyes of management.
2. Integration with financial statements
MD&A's should complement as well as supplement financial statements.
3. Completeness and materiality
To be reliable, MD&A's should be complete, fair and balanced, and provide information that is material to the decision-making needs of users.
4. Forward-looking orientation
A forward-looking orientation is fundamental to useful MD&A reporting.
5. Strategic perspective
The focus in MD&A's should be on management's strategy for generating value for investors over time.
6. Usefulness
To be useful, MD&A's should be written in plain language, with candour and without exaggeration, and embody the qualities of understandability, relevance, comparability and consistency over reporting periods. (CICA - MD&A 200)

References

- CICA. Information to be included in the Annual Report to shareholders, Toronto, Canadian Institute of Chartered Accountants, 1991, 298p.
- CICA. Terminology for Accountants, 4th edition, Toronto, Canadian Institute of Chartered Accountants, 1992, 234p.
- CICA - MD&A. Management's Discussion and Analysis, Toronto, Canadian Performance Reporting Board - Canadian Institute of Chartered Accountants.