

QUESTIONS THAT MAY BE ASKED AT THE ANNUAL GENERAL MEETING OF THE COMPANY

In addition to the standard procedures followed during the annual general meeting, it is necessary for the board of directors to be prepared to answer any questions the members may ask in relation to the business. Such possible questions could include inter alia the following:

Directors and management

- How often did the board of directors meet this year? Last year? What is the attendance record of individual board members at board meetings?
- Does any director on the board have a potential conflict-of-interest because of membership on another board?
- Has the board approved any transactions with related parties? Why? Are any members of the board or management involved in a related-party transaction?
- Why are directors' fees so high? Do directors receive their fees if they are absent?
- Are all directors also shareholders? Why are not directors required to own a minimum number of shares? Have any directors sold company shares during the year? Why?
- Do all directors vote on appointments and promotions of senior officers?
- Has any officer or director resigned or declined to stand for re-election? Why? Why are not all the directors at this meeting?
- What is the company's policy on loans to officers and directors? What is the total amount of all loans to officers and directors? What were these loans for? Do interest rates on loans reflect current borrowing rates?

Operations

Economic environment

- What is the sales and earnings forecast for the coming year? How does it compare with last year? How do the results from the first quarter of this year compare with what was anticipated? How do they compare with the last quarter of last year? First quarter of last year?
- How much of the change in sales and earnings was due to volume? Product mix?
- Who are the company's major customers? How dependent is the company on their business?
- Who are the company's major competitors? Why have not the company's sales and earnings increased as much as its competitors?

Operating units and product lines

- What did (division or product line) contribute to last year's sales and earnings? Did it perform in accordance with management's expectations? Are any divisions or product lines currently losing money? What are the plans for them? What divisions or product lines are expected to be stronger/weaker performers this year?
- What is the total estimated market for (Product), and what is the company's share of this market? Is the market increasing or decreasing? Why? Is the company's share increasing or decreasing? Why? What are the principal marketing methods used for this product? What special skills or advantages will enable the company to maintain its market position? Are competitors' operations more profitable? How do competitors' pricing strategies compare with those of the company?
- Is there an active program to reduce inventory? What are the targets and basis for reduction?
- How much was spent for advertising and other promotion this year? Will these budgets be increased or decreased next year?

Liquidity and capital resources

- How much money will be spent on capital projects? How will this impact cash flow and liquidity? How do cash flow and liquidity compare with that of competitors?
- Are there sufficient lines of credit available?

Financial reporting matters and internal control

- What is the company's current status with the tax authorities on open years?
- What is the company's current status regarding a particular dispute under litigation?
- Why are not financial statements and footnotes in the annual report simplified so a non-accountant can more easily understand them?
- What are the latest developments on a particular issue for which the independent auditors' qualified their opinion?
- What is the company doing about(problem) disclosed in the annual report?
- Why was a particular accounting policy changed during the year?
- Why are there major differences in accounting policies between the company and a major competitor?
- What was the total amount of bad debts written off last year? How does it compare with other companies in the industry? What were the largest debts written off last year? How much money is due from bankrupt companies?
- Has the company considered revaluing any assets?
- Did the independent auditor report any material weaknesses in internal control? What has been done about them?

Shareholder matters

- What causes the unusual fluctuations in the price of company shares? Why does the company have an unusually high (low) price- earnings ratio compared with its competitors? Why is the company's book value so much greater than market value?
- Why are not shareholders granted pre-emptive rights for new share issues?
- What per cent of the company's shares are held by directors, officers, or employees? Does the company monitor trading by board members, officers and others in management?

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