

# **APPLIED INVENTIONS MANAGEMENT CORP.**

## **Management Discussion and Analysis of Financial Conditions and Results of Operations for the three month period ended November 30, 2015**

This Management Discussion and Analysis (M.D. & A.) should be read in conjunction with Applied Inventions Management Corp.'s (the "Company") consolidated annual audited financial statements and the accompanying notes thereto which have been prepared in accordance with International Financial Reporting Standards (IFRS) in Canada. All monetary amounts are expressed in Canadian dollars. Additional information regarding the Company is available on the SEDAR website at [www.sedar.com](http://www.sedar.com)

### **FORWARD - LOOKING INFORMATION**

The M. D. & A. and analysis and other sections of this report contain forward-looking statements. These forward-looking statements, by their nature, necessarily involve risks and uncertainties that could cause results to differ materially from those contemplated by these forward-looking statements. Management considers the assumptions on which these forward-looking statements are reasonable at the time the statements were prepared, but cautions the reader that they could cause actual results to differ materially from those anticipated.

### **DATE OF M. D. & A.**

This M. D. & A. was prepared on January 19, 2016.

### **GENERAL OVERVIEW**

On August 29, 2014, the Company filed articles of amendment changing its name from Applied Inventions Management Inc. to Applied Inventions Management Corp.

A cease trade order ("CTO") was imposed on the Company by the Ontario Securities Commission on February 20, 2001 for failure to file its annual audited consolidated financial statements for the year ended August 31, 2000 and interim unaudited consolidated financial statements for the three month period ended November 30, 2000. These consolidated financial statements were subsequently filed on Sedar by the Company.

On August 27, 2011 the Ontario Securities Commission issued a Revocation Order of the CTO. The Company is now seeking to complete a transaction that would allow the reinstatement of trading privileges on a recognized stock exchange.

Prior to 2002, the Company manufactured, marketed and distributed the SAVE swimming pool intrusion alarm.

The Company is in the process of reorganizing its affairs.

## SELECTED ANNUAL INFORMATION

For the years ended August 31st	2014	2015
Sales	\$ Nil	\$ Nil
Net Loss and Comprehensive Loss	(\$61,817)	(\$57,095)
Loss per share	(\$0.09)	(\$0.04)
Total Assets	\$6,502	\$3,674
Current Liabilities	\$630,394	\$634,661
Total Long Term Debt	\$ Nil	\$ Nil
Cash Dividends	\$ Nil	\$ Nil
Deficit	(\$3,497,855)	(\$3,554,950)

## RESULTS OF OPERATION AND QUARTERLY RESULTS

Applied Inventions Management Corp. has incurred administrative costs, professional fees and consulting fees associated with preparing and filing annual audited consolidated financial statements, unaudited interim consolidated financial statements and all other regulatory filing requirements and has continued to accrue interest on its secured interest bearing shareholder loan. Professional fees incurred for the three month period November 30, 2015 were \$6,025 (November 30, 2014, - \$10,633). Interest accrued on the secured shareholder advances was \$6,470 (November 30, 2014 - \$5,137). Bank charges were \$53 during the three month period ended November 30, 2015 (November 30, 2014 - \$53).

	Nov 30	Aug 31	May 31	Feb 28	Nov 30	Aug 31	May 31	Feb 28
	2015	2015	2015	2015	2014	2014	2014	2014
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Total Revenue	\$ NIL	\$NIL	\$NIL	\$NIL	\$ NIL	\$ NIL	\$ NIL	\$ NIL
Net Loss and comprehensive loss	(\$12,548)	(\$21,941)	(\$9,356)	(\$10,425)	(\$15,823)	(\$21,741)	(\$22,266)	(\$9,658)
Net Loss per Share	(\$0.008)	(\$0.014)	(\$0.006)	(\$0.007)	(\$0.010)	(\$0.031)	(\$0.032)	(\$0.014)

\*Net Loss per share has been adjusted to reflect the 3 for 1 consolidation of each Class of shares that occurred on August 29, 2014 and the share issuance of 833,333 Class "B" shares that occurred September 2, 2014.

## LIQUIDITY

The Company has been dependent upon one of its shareholders who is an officer and director of the Company, to provide financing for ongoing administrative expenses and for costs of re-organizing the affairs of the Company. The shareholder, who is an officer and director of the Company, has indicated that he will continue to fund costs anticipated to be approximately \$15,000 per annum. However, if the shareholder decides not to fund the ongoing costs, the Company will have to attempt to raise monies to fund ongoing operations from an alternative source. There is no assurance that the Company will be able to raise the required monies at competitive rates to continue operations.

As at November 30, 2015 the Due to Shareholder amount payable, which is owing to a principal shareholder who is a director and officer of the Company, was \$343,154 (August 31, 2015 - \$343,154), bears no interest and is secured by a General Security Agreement (GSA). As at November 30, 2015 \$266,997 (August 31, 2015 - \$257,932) including accumulated interest was advanced to the Company by the same Shareholder and bears interest at 10% per annum and is secured by a GSA.

## PROPOSED TRANSACTIONS

There are currently no proposed transactions.

## FINANCIAL INSTRUMENTS

All financial instruments are recorded initially at fair value. In subsequent periods, all financial instruments are measured based on the classification adopted for the financial instrument: held to maturity, loans and receivables, fair value through profit or loss ("FVTPL"), available for sale, FVTPL liabilities or other liabilities.

FVTPL assets and liabilities are subsequently measured at fair value with the change in the fair value recognized in net income (loss) during the period.

Held to maturity assets, loans and receivables, and other liabilities are subsequently measured at amortized cost using the effective interest rate method

Available for sale assets are subsequently measured at fair value with the changes in fair value recorded in other comprehensive income (loss), except for equity instruments without a quoted market price in an active market and whose fair value cannot be reliably measured, which are measured at cost.

The Company has classified its financial instruments as follows:

<b>Financial Instrument</b>	<b>Classification</b>
Cash	FVTPL
Accounts payable and accrued liabilities	Other liabilities
Shareholder advances - non - interest bearing	Other liabilities
- interest bearing	Other liabilities

The Company's financial instruments measured at fair value on the balance sheet consist of cash, accounts payable and accrued liabilities and shareholder advances interest bearing and non-interest bearing. These financial instruments approximate fair values due to the relatively short term maturities of these instruments.

Cash is measured at level 1 of the fair value hierarchy. The Company does not have any financial instruments at level 2 or 3 of the fair value hierarchy. The three levels of the fair value hierarchy are as follows:

Level 1: Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2: Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3: Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

## **FINANCIAL RISK MANAGEMENT- LIQUIDITY RISK**

Risk management is the responsibility of management who is of the opinion that the Company is exposed to financial risks as described below. The Company is not exposed to currency risk or credit risk.

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. As at November 30, 2015 the Company had current liabilities of \$644,444 (August 31, 2015 - \$634,661) and assets of \$909 (August 31, 2015- \$3,674). As a result, the Company has liquidity risk and is dependent on obtaining additional financing to meet its current obligations.

Interest rate risk includes the risk that future cash flows or fair value will fluctuate as a result of changes in market interest rates. The Company is not exposed to interest rate risk on its debenture and shareholder loan payable bears interest at a fixed rate.

The Company had no interest rate swap or financial contracts in place for the three month period ended November 30, 2015 and the year ended August 31, 2015.

## **CAPITAL RISK MANAGEMENT**

The Company considers capital stock and deficit to represent capital. As at November 30, 2015 and August 31, 2015 the Company has a negative capital balance and management's objective is to maintain its ability to continue as a going concern by identifying sources for additional financing for working capital and to fund the development of a business.

The Company is not subject to externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy during the three month period ended November 30, 2015 and the year ended August 31, 2015.

## **OFF BALANCE SHEET ACTIVITIES**

As at November 30, 2015, the Company had no off balance sheet financial commitments and does not anticipate entering into any contracts of such nature.

## **RELATED PARTY TRANSACTIONS**

Transactions with related parties are listed below and incurred in the normal course of business and are measured at the exchange amount:

- (a) The interest expense of \$6,470 (November 30, 2014 - \$5,137) is due to the controlling shareholder who is a director and officer.
  
- (b) As at November 30, 2015 the Company has Shareholder Loans due to the controlling shareholder, officer and director of the Company, consisting of a \$343,154 (August 31, 2015 - \$343,154) non-interest bearing advance and a \$266,997 (August 31, 2015 - \$257,932) advance bearing interest at 10% per annum, both advances being secured by a general security agreement.

## **CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of financial statements in compliance with IFRS requires the Company's management to make certain estimates and assumptions that they consider reasonable and realistic. Despite regular reviews of these estimates and assumptions, based in particular on past achievements or anticipations, facts and circumstances may lead to changes in these estimates and assumptions which could impact the reported amount of the Company's asset, liabilities, equity or earnings. There have been no judgments made by management in the application of IFRS that have a significant effect on the financial statements for the period ended November 30, 2015 and the year ended August 31, 2015. Actual results could differ from those estimates.

## **CONTROLS AND PROCEDURES**

Management is responsible for the design of internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements in accordance with IFRS. Based on a review of its internal control procedures at the end of the period covered by this MD&A, management believes its internal controls and procedures, for the nature and size of the entity, are effective in providing reasonable assurances that financial information is recorded, processed, summarized and reported in a timely manner.

Management is also responsible for the design and effectiveness of disclosure controls and procedures to provide reasonable assurance that material information related to the Company, is made known to the Company's certifying officers. Management has evaluated the effectiveness of the Company's disclosure controls and procedures and has concluded that these controls and procedures are effective, for the nature and size of the entity, in providing reasonable assurance that material information relating to the Company is made known to them by others within the Company.

## **OUTSTANDING SHARE DATA**

### **Common Shares**

As at November 30, 2015 the Company had 388,435 (August 31, 2015 – 388,435) Class “A” Subordinate Voting Shares and 1,139,339 (August 31, 2015 – 1,139,339) Class “B” Multiple Voting Shares issued and outstanding. As at January 19, 2016 no additional shares have been issued.

### **Share consolidation**

At the Annual and Special Meeting held on June 4, 2014, the shareholders approved a consolidation of each Class of shares up to ten (10) for one (1) at the discretion of the Board of Directors. On August 29, 2014, the directors approved a share consolidation for Class “A” subordinate voting shares and Class “B” Multiple Voting shares of the Company on a basis of one (1) share for every three (3) shares outstanding of each class before any consolidation. On September 2, 2014 a shareholder, officer and director of the Company was issued 833,333 Class “B” Multiple Voting Shares as a settlement of debt owed to him of \$50,000. As a result, the shareholder became the controlling shareholder of the Company.

### **Stock Options and share purchase warrants**

As at January 19, 2016 there are no stock option or share purchase warrants outstanding

## **OFFICERS AND DIRECTORS**

As at November 30, 2015 the officers and directors of the Company include:

Michael Stein	- President and Director
Gabriel Nachman FCPA, FCA	- Acting CFO, Director and Chair of Audit Committee
Nicholas Hariton	- Director
Barry Polisuk	- Director

## **ADDITIONAL INFORMATION**

Additional information relating to the Company is available:

- On the Internet at the SEDAR website at [www.sedar.com](http://www.sedar.com) or,
- By contacting Michael Stein at 416-816-9690