

2008 BCSECCOM 36

January 14, 2008

Headnote

Mutual Reliance Review System for Exemptive Relief Applications and Multilateral Instrument 11-101 *Principal Regulator System* - National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency*, ss. 6.2 and 9.1 – auditing requirements for acquisition statements - An issuer wants relief from the requirement to audit acquisition statements in accordance with Canadian or U.S. GAAS - The issuer acquired a business whose historical financial statements have not been audited in accordance with Canadian or U.S. GAAS; the acquired business' financial statements have been audited in accordance with International Standards on Auditing; for various reasons, it would be practically impossible to re-audit the business' financial statements in accordance with Canadian or U.S. GAAS; the audit report will be accompanied by a statement by the auditor that describes any material differences in the form of report as compared to a Canadian GAAS audit report, and indicates that its report would not contain a reservation if it were prepared in accordance with Canadian GAAS

Applicable British Columbia Provisions

National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency*, ss. 6.2 and 9.1
National Instrument 51-102 *Continuous Disclosure Obligations*, Part 8

In the Matter of
the Securities Legislation of
British Columbia and Ontario (the Jurisdictions)

and

In the Matter of
the Mutual Reliance Review System for Exemptive Relief Applications

and

In the Matter of
Digital Dispatch Systems Inc.
(the Filer)

MRRS Decision Document

2008 BCSECCOM 36

Background

- ¶ 1 The local securities regulatory authority or regulator (the Decision Maker) in each of the Jurisdictions has received an application from the Filer for a decision under the securities legislation of the Jurisdictions (the Legislation) that the Filer be exempted from complying with section 6.2 of National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Foreign Currency* (NI 52-107) with respect to financial statements in business acquisition reports required to be filed under section 8.2 of National Instrument 51-102 *Continuous Disclosure Obligations* (NI 51-102) (the Requested Relief).

Under Multilateral Instrument 11-101 *Principal Regulator System* (MI 11-101) and the Mutual Reliance Review System for Exemptive Relief Applications

- (a) the British Columbia Securities Commission is the principal regulator for this application,
- (b) the Filer is relying on an exemption in Part 3 of MI 11-101 in Alberta, Saskatchewan, Manitoba, Quebec and Nova Scotia, and
- (c) this MRRS decision document evidences the decision of each Decision Maker.

Interpretation

- ¶ 2 Defined terms contained in National Instrument 14-101 *Definitions* have the same meaning in this decision unless they are defined in this decision.

Representations

- ¶ 3 This decision is based on the following facts represented by the Filer:
- 1. the Filer is incorporated under the laws of British Columbia and its head office is located in Richmond, British Columbia; it is a worldwide provider of mobile data solutions for fleet and mobile workforce management;
 - 2. the Filer is authorized to issue 200,000,000 common shares without par value and 50,000,000 preferred shares without par value; as of the date hereof, the Filer has 13,143,201 common shares and no preferred shares issued and outstanding;
 - 3. the Filer is a reporting issuer in each Jurisdiction, and Alberta, Saskatchewan, Manitoba, Québec and Nova Scotia, and, to its knowledge, is not in default of its obligations under the legislation of any jurisdiction in which it is a reporting issuer or its equivalent, except for not filing the business acquisition report referred to in paragraph (7) within the required time period;

2008 BCSECCOM 36

4. the common shares of the Filer are listed and posted for trading on the Toronto Stock Exchange;
5. the Filer's fiscal year end is December 31;
6. on October 8, 2007, the Filer completed the acquisition (the Acquisition) of all of the shares of Mobisoft Oy (Mobisoft); Mobisoft is incorporated under the laws of Finland;
7. as the Acquisition constituted a "significant acquisition" for the purposes of NI 51-102, the Filer was required to file a business acquisition report (BAR) by December 24, 2007, (which is 75 days after October 8, 2007, the date of the Acquisition) under section 8.2 of NI 51-102;
8. under section 8 of NI 51-102, the BAR must be accompanied by certain financial statements of Mobisoft;
9. the financial statements of Mobisoft required to be included in the BAR (the Financial Statements) are prepared in accordance with Finland GAAP and audited in accordance with International Standards of Auditing (ISA) and generally accepted auditing standards (GAAS) of Finland; the Financial Statements will include a note reconciling the Financial Statements to Canadian GAAP in accordance with the requirements of section 6.1 of NI 52-107;
10. under NI 52-107, acquisition statements that are required by securities legislation to be audited must be audited in accordance with Canadian GAAS or US GAAS unless the reporting issuer making the acquisition is a foreign issuer; as the Filer is not a foreign issuer, NI 52-107 does not permit the Filer to file the Financial Statements audited in accordance with Finland GAAS or ISA;
11. the differences between ISA and Canadian GAAS are documented in the CICA Handbook; Deloitte & Touche LLP (Deloitte), the Filer's auditor, and Mobisoft will submit a GAAS equivalency letter, which will outline the procedures undertaken by Mobisoft's auditor and identify any differences between ISA and Canadian GAAS;
12. it is not reasonably practical to have Deloitte & Touche OY, Mobisoft's auditor, audit the Financial Statements in accordance with Canadian GAAS; Mobisoft's auditor is not familiar with Canadian GAAS, but is familiar with ISA, and the international firm of which Mobisoft's auditor is a member, has

2008 BCSECCOM 36

an audit methodology and interoffice audit clearance procedures based on adherence to ISA; Deloitte has also advised that, as the source records of Mobisoft are in Finnish, it is not practical for a Canadian auditor, familiar with Canadian GAAS, to complete the audit;

13. within the next three months the Filer will consolidate Mobisoft and produce its annual consolidated financial statements which will be audited in accordance with Canadian GAAS; and
14. in the BAR, the Filer will: (i) include clear disclosure as to the basis of presentation of the Financial Statements and that they have been audited in accordance with ISA and Finland GAAS; and (ii) disclose pertinent extracts from the GAAS equivalency letter submitted by Deloitte and Mobisoft to provide the reader with appropriate disclosure of the differences under ISA and Canadian GAAS.

Decision

- ¶ 4 Each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met.

The decision of the Decision Makers under the Legislation is that the Requested Relief is granted, provided that the Financial Statements are audited in accordance with ISA and will be accompanied by an auditor's report from the auditor of Mobisoft, which will include a statement by the auditor that:

- (a) describes the material differences in the form and content of the auditor's report as compared to an auditor's report prepared in accordance with Canadian GAAS; and
- (b) indicates that an auditor's report prepared in accordance with Canadian GAAS would not contain a reservation.

Martin Eady, CA
Director, Corporate Finance
British Columbia Securities Commission