

**Appendix B**  
**The Proposed Instrument**

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**National Instrument 52-107**  
***Acceptable Accounting Principles and Auditing Standards***

**PART 1: DEFINITIONS AND INTERPRETATION**

**1.1 Definitions** — In this Instrument:

“accounting principles” mean a body of principles relating to accounting that are generally accepted in a jurisdiction of Canada or a foreign jurisdiction and include, without limitation, IFRS, Canadian GAAP and U.S. GAAP;

“acquisition statements” means financial statements of an acquired business or a business to be acquired, or operating statements for an oil and gas property that is an acquired business or a business to be acquired, that are

- (a) required to be filed under National Instrument 51-102,
- (b) included in a prospectus pursuant to Item 35 of Form 41-101F1 in National Instrument 41-101 *General Prospectus Requirements*,
- (c) required to be included in a prospectus under National Instrument 44-101 *Short Form Prospectus Distributions*, or
- (d) except in Ontario, included in an offering memorandum required under National Instrument 45-106;

“auditing standards” mean a body of standards relating to auditing that are generally accepted in a jurisdiction of Canada or a foreign jurisdiction and include, without limitation, Canadian GAAS, International Standards on Auditing, U.S. AICPA GAAS and U.S. PCAOB GAAS;

“business acquisition report” means a completed Form 51-102F4 *Business Acquisition Report*;

“convertible security” means a security of an issuer that is convertible into, or carries the right of the holder to acquire, or of the issuer to cause the acquisition of, a security of the same issuer;

“credit support issuer” means an issuer of securities for which a credit supporter has provided a guarantee or alternative credit support;

“credit supporter” means a person or company that provides a guarantee or alternative credit support for any of the payments to be made by an issuer of securities as stipulated in the terms of the securities or in an agreement governing rights of, or granting rights to, holders of the securities;

“designated foreign issuer” means a foreign issuer

- (a) that does not have a class of securities registered under section 12 of the 1934 Act and is not required to file reports under section 15(d) of the 1934 Act,
- (b) that is subject to foreign disclosure requirements in a designated foreign jurisdiction, and
- (c) for which the total number of equity securities owned, directly or indirectly, by residents of Canada does not exceed 10 per cent, on a fully-diluted basis, of the total number of equity securities of the issuer, calculated in accordance with sections 1.2 and 1.3;

“designated foreign jurisdiction” means Australia, France, Germany, Hong Kong, Italy, Japan, Mexico, the Netherlands, New Zealand, Singapore, South Africa, Spain, Sweden, Switzerland or the United Kingdom of Great Britain and Northern Ireland;

“exchangeable security” means a security of an issuer that is exchangeable for, or carries the right of the holder to acquire, or of the issuer to cause the acquisition of, a security of another issuer;

“exchange-traded security” means a security that is listed on a recognized exchange or is quoted on a recognized quotation and trade reporting system or is listed on an exchange or quoted on a quotation and trade reporting system that is recognized for the purposes of National Instrument 21-101 *Marketplace Operation* and National Instrument 23-101 *Trading Rules*;

“executive officer” means, for an issuer, an individual who is

- (a) a chair, vice-chair or president;
- (b) a vice-president in charge of a principal business unit, division or function including sales, finance or production; or
- (c) performing a policy-making function in respect of the issuer;

“financial statements” includes interim financial reports;

“foreign disclosure requirements” means the requirements to which a foreign issuer is subject concerning disclosure made to the public, to securityholders of the issuer or to a foreign regulatory authority

- (a) relating to the foreign issuer and the trading in its securities, and

- (b) that is made publicly available in the foreign jurisdiction under
  - (i) the securities laws of the foreign jurisdiction in which the principal trading market of the foreign issuer is located, or
  - (ii) the rules of the marketplace that is the principal trading market of the foreign issuer;

“foreign issuer” means an issuer that is incorporated or organized under the laws of a foreign jurisdiction, unless

- (a) outstanding voting securities of the issuer carrying more than 50 per cent of the votes for the election of directors are owned, directly or indirectly, by residents of Canada, and
- (b) any of the following apply:
  - (i) the majority of the executive officers or directors of the issuer are residents of Canada;
  - (ii) more than 50 per cent of the consolidated assets of the issuer are located in Canada; or
  - (iii) the business of the issuer is administered principally in Canada;

“foreign registrant” means a registrant that is incorporated or organized under the laws of a foreign jurisdiction, unless

- (a) outstanding voting securities of the registrant carrying more than 50 per cent of the votes for the election of directors are owned, directly or indirectly, by residents of Canada, and
- (b) any of the following apply:
  - (i) the majority of the executive officers or directors of the registrant are residents of Canada;
  - (ii) more than 50 per cent of the consolidated assets of the registrant are located in Canada; or
  - (iii) the business of the registrant is administered principally in Canada;

“foreign regulatory authority” means a securities commission, exchange or other securities market regulatory authority in a designated foreign jurisdiction;

“inter-dealer bond broker” means a person or company that is approved by the Investment Industry Regulatory Organization of Canada under its Rule No. 36 *Inter-Dealer Bond Brokerage Systems*, as amended, and is subject to its Rule No. 36 and its Rule 2100 *Inter-Dealer Bond Brokerage Systems*, as amended;

“issuer’s GAAP” means the accounting principles used to prepare an issuer’s financial statements, as permitted by this Instrument;

“marketplace” means

- (a) an exchange,
- (b) a quotation and trade reporting system,
- (c) a person or company not included in paragraph (a) or (b) that
  - (i) constitutes, maintains or provides a market or facility for bringing together buyers and sellers of securities,
  - (ii) brings together the orders for securities of multiple buyers and sellers, and
  - (iii) uses established, non-discretionary methods under which the orders interact with each other, and the buyers and sellers entering the orders agree to the terms of a trade, or
- (d) a dealer that executes a trade of an exchange-traded security outside of a marketplace,

but does not include an inter-dealer bond broker;

“multiple convertible security” means a security of an issuer that is convertible into, or exchangeable for, or carries the right of the holder to acquire, or of the issuer to cause the acquisition of, a convertible security, an exchangeable security or another multiple convertible security;

“National Instrument 45-106” means National Instrument 45-106 *Prospectus and Registration Exemptions*;

“National Instrument 51-102” means National Instrument 51-102 *Continuous Disclosure Obligations*;

“National Instrument 71-102” means National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers*;

“principal trading market” means the published market on which the largest

trading volume in the equity securities of the issuer occurred during the issuer's most recently completed financial year that ended before the date the determination is being made;

“published market” means, for a class of securities, a marketplace on which the securities have traded that discloses, regularly in a publication of general and regular paid circulation or in a form that is broadly distributed by electronic means, the prices at which those securities have traded;

“recognized exchange” means

- (a) in Ontario, an exchange recognized by the securities regulatory authority to carry on business as a stock exchange,
- (b) in Québec, a person or company authorized by the securities regulatory authority to carry on business as an exchange; and
- (c) in every other jurisdiction of Canada, an exchange recognized by the securities regulatory authority as an exchange, self-regulatory organization or self-regulatory body;

“recognized quotation and trade reporting system” means

- (a) in every jurisdiction of Canada other than British Columbia, a quotation and trade reporting system recognized by the securities regulatory authority under securities legislation to carry on business as a quotation and trade reporting system, and
- (b) in British Columbia, a quotation and trade reporting system recognized by the securities regulatory authority under securities legislation as a quotation and trade reporting system or as an exchange;

“SEC issuer” means an issuer that

- (a) has a class of securities registered under section 12 of the 1934 Act or is required to file reports under section 15(d) of the 1934 Act, and
- (b) is not registered or required to be registered as an investment company under the *Investment Company Act of 1940* of the United States of America, as amended;

“SEC foreign issuer” means a foreign issuer that is also an SEC issuer;

“underlying security” means a security issued or transferred, or to be issued or transferred, in accordance with the terms of a convertible security, an exchangeable security or a multiple convertible security;

“U.S. GAAP” means generally accepted accounting principles in the United States of America that the SEC has identified as having substantial authoritative support, as supplemented by Regulation S-X under the 1934 Act, as amended from time to time;

“U.S. AICPA GAAS” means auditing standards of the American Institute of Certified Public Accountants, as amended from time to time;

“U.S. PCAOB GAAS” means auditing standards of the Public Company Accounting Oversight Board (United States of America), as amended from time to time.

## **1.2 Determination of Canadian Shareholders for Calculation of Designated Foreign Issuer and Foreign Issuer —**

- (1) For the purposes of paragraph (c) of the definition of “designated foreign issuer” in section 1.1 and paragraphs 3.9(1)(c) and 4.9(c), a reference to equity securities owned, directly or indirectly, by residents of Canada, includes
  - (a) the underlying securities that are equity securities of the foreign issuer; and
  - (b) the equity securities of the foreign issuer represented by an American depositary receipt or an American depositary share issued by a depositary holding equity securities of the foreign issuer.
- (2) For the purposes of paragraph (a) of the definition of “foreign issuer” in section 1.1, securities represented by American depositary receipts or American depositary shares issued by a depositary holding voting securities of the foreign issuer must be included as outstanding in determining both the number of votes attached to securities owned, directly or indirectly, by residents of Canada and the number of votes attached to all of the issuer’s outstanding voting securities.

## **1.3 Timing for Calculation of Designated Foreign Issuer, Foreign Issuer and Foreign Registrant —** For the purposes of paragraph (c) of the definition of “designated foreign issuer” in section 1.1, paragraph (a) of the definition of “foreign issuer” in section 1.1, and paragraph (a) of the definition of “foreign registrant” in section 1.1, the calculation is made

- (a) if the issuer has not completed one financial year, on the earlier of



- (i) the date that is 90 days before the date of its prospectus, and
  - (ii) the date that it became a reporting issuer; and
- (b) for all other issuers and for registrants, on the first day of the most recent financial year or year-to-date interim period for which operating results are presented in the financial statements filed or included in the issuer's prospectus.

#### **1.4 Interpretation —**

- (1) For the purposes of this Instrument, a reference to “prospectus” includes a preliminary prospectus, a prospectus, an amendment to a preliminary prospectus and an amendment to a prospectus.
- (2) For the purposes of this Instrument, a reference to information being “included in” another document means information reproduced in the document or incorporated into the document by reference.

### **PART 2: APPLICATION**

#### **2.1 Application —**

- (1) This Instrument does not apply to investment funds.
- (2) This Instrument applies to
  - (a) all financial statements and interim financial information delivered by registrants to the securities regulatory authority or regulator under National Instrument 31-103 *Registration Requirements and Exemptions*,
  - (b) all financial statements filed, or included in a document that is filed, under National Instrument 51-102 or National Instrument 71-102,
  - (c) all financial statements included in
    - (i) a prospectus or a take-over bid circular filed,
    - (ii) a document that is filed, or
    - (iii) except in Ontario, an offering memorandum required under National Instrument 45-106,

- (d) any operating statements for an oil and gas property that is an acquired business or a business to be acquired, that are
  - (i) filed under National Instrument 51-102,
  - (ii) included in a prospectus or a take-over bid circular filed, or included in a document that is filed, or
  - (iii) except in Ontario, included in an offering memorandum required under National Instrument 45-106,
- (e) any other financial statements filed by a reporting issuer,
- (f) financial information that is filed under National Instrument 51-102, included in a prospectus or a take-over bid circular filed or included in a document that is filed or, except in Ontario, included in an offering memorandum required under National Instrument 45-106, that is
  - (i) summary financial information for a credit supporter or credit support issuer, or
  - (ii) summarized financial information including the aggregated amounts of assets, liabilities, revenue and profit or loss of an acquired business or business to be acquired that is, or will be, an investment accounted for by the issuer using the equity method, and
- (g) *pro forma* financial statements
  - (i) filed, or included in a document that is filed, under National Instrument 51-102 or National Instrument 71-102,
  - (ii) included in a prospectus or a take-over bid circular filed, or included in a document that is filed, or
  - (iii) otherwise filed by a reporting issuer.

**2.2 Application of Part 3** — Part 3 applies to financial statements, financial information, operating statements and *pro forma* financial statements for periods relating to financial years beginning on or after January 1, 2011.

**2.3 Application of Part 4** — Part 4 applies to financial statements, financial information, operating statements and *pro forma* financial statements for periods

relating to financial years beginning before January 1, 2011.

**PART 3:  
RULES APPLYING TO FINANCIAL YEARS BEGINNING ON OR AFTER  
JANUARY 1, 2011**

- 3.1 Publicly Accountable Enterprise** — In this Part, “publicly accountable enterprise” means a publicly accountable enterprise determined in accordance with the Handbook.
- 3.2 Acceptable Accounting Principles – General Requirements** —
- (1) Financial statements referred to in paragraphs 2.1(2)(b), (c) and (e) and financial information referred to in paragraph 2.1(2)(f), other than acquisition statements, must
    - (a) be prepared in accordance with Canadian GAAP applicable to publicly accountable enterprises, and
    - (b) disclose
      - (i) in the case of annual financial statements, an explicit and unreserved statement of compliance with IFRS,
      - (ii) in the case of financial information referred to in paragraph 2.1(2)(f), a statement that the information is prepared in accordance with the recognition, measurement and disclosure requirements in IFRS for the information, and
      - (iii) in the case of an interim financial report, compliance with International Accounting Standard 34 *Interim Financial Reporting*.
  - (2) Despite subsection (1), in the case of an interim financial report that is not required under securities legislation to provide comparative interim financial information,
    - (a) the statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows and explanatory notes for the current interim period must be prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* except for the requirement to include comparative financial information; and

- (b) the interim financial report must disclose that
  - (i) it does not comply with International Accounting Standard 34 *Interim Financial Reporting* because it does not include comparative interim financial information, and
  - (ii) the statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows and explanatory notes for the current interim period have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* except for the requirement to include comparative financial information.
- (3) Financial statements and interim financial information referred to in paragraph 2.1(2)(a) must
  - (a) be prepared in accordance with Canadian GAAP applicable to publicly accountable enterprises, except that the financial statements or interim financial information must account for investments in subsidiaries, jointly controlled entities and associates as specified for separate financial statements in Canadian GAAP applicable to publicly accountable enterprises, and
  - (b) in the case of annual financial statements, disclose that the financial statements comply with IFRS, except that the financial statements account for investments in subsidiaries, jointly controlled entities and associates as specified for separate financial statements in IFRS.
- (4) Despite subsection (3), financial statements and interim financial information for periods relating to a financial year beginning in 2011 may exclude comparative information for the preceding financial year or interim period if,
  - (a) the financial statements or interim financial information are prepared using a date of transition to IFRS that is the first day of the financial year to which the financial statements or interim financial information relate, and
  - (b) in the case of annual financial statements, the financial statements disclose that they comply with IFRS except that the financial statements
    - (i) account for investments in subsidiaries, jointly controlled entities and associates as specified for separate financial statements in IFRS,

- (ii) exclude comparative information for the preceding financial year, and
  - (iii) use a date of transition to IFRS that is the first day of the financial year to which the financial statements relate.
- (5) Subject to subsection (6), financial statements must be prepared in accordance with the same accounting principles for all periods presented in the financial statements.
- (6) Financial information for a particular financial year beginning before January 1, 2011 may be prepared using accounting principles permitted in Part 4 if
  - (a) the particular financial year is the earliest of 3 financial years where the financial statements present financial information for the 3 financial years and the most recent of those financial years begins on or after January 1, 2011, and
  - (b) financial information previously prepared for the particular financial year did not comply with IFRS.

### **3.3 Acceptable Auditing Standards – General Requirements —**

- (1) Financial statements, other than acquisition statements, that are required by securities legislation to be audited must
  - (a) be audited in accordance with Canadian GAAS and be accompanied by an auditor's report that
    - (i) does not contain a modification of opinion,
    - (ii) identifies all financial periods presented for which the auditor has issued an auditor's report, and
    - (iii) except in the case of financial statements delivered by a registrant,
      - (A) is in the form specified by Canadian GAAS for an audit of financial statements prepared in accordance with a fair presentation framework, and
      - (B) if the financial statements are prepared in accordance with Canadian GAAP applicable to publicly accountable enterprises, refers to IFRS as

the applicable fair presentation framework; and

- (b) if the issuer or registrant has changed its auditor and one or more of the comparative periods presented in the financial statements were audited by a predecessor auditor, be accompanied by the predecessor auditor's reports on the comparative periods.
- (2) Paragraph (1)(b) does not apply to financial statements referred to in paragraphs 2.1(2)(a) and (b) if the auditor's report described in paragraph (1)(a) refers to the predecessor auditor's reports on the comparative periods.

**3.4 Acceptable Auditors** — An auditor's report filed by an issuer or delivered by a registrant must be prepared and signed by a person or company that is authorized to sign an auditor's report by the laws of a jurisdiction of Canada or a foreign jurisdiction, and that meets the professional standards of that jurisdiction.

**3.5 Presentation and Functional Currencies** —

- (1) The presentation currency must be prominently displayed in financial statements.
- (2) Financial statements must disclose the functional currency if it is different than the presentation currency.

**3.6 Credit Supporters** —

- (1) Unless subsection 3.2(1) applies, if a credit support issuer files, or includes in a prospectus, financial statements of a credit supporter, the credit supporter's financial statements must
  - (a) be prepared in accordance with the accounting principles and audited in accordance with the auditing standards that would be required by this Instrument if the credit supporter filed financial statements referred to in paragraph 2.1(2)(b),
  - (b) identify the accounting principles used to prepare the financial statements,
  - (c) prominently display the presentation currency, and
  - (d) disclose the functional currency if it is different from the presentation currency.
- (2) If a credit support issuer files, or includes in a prospectus, summary

financial information for the credit supporter or credit support issuer,

- (a) the summary financial information must, in addition to satisfying other requirements in this Instrument
  - (i) prominently display the presentation currency, and
  - (ii) disclose the functional currency if it is different from the presentation currency; and
- (b) the amounts presented in the summary financial information must be derived from financial statements for the credit supporter or credit support issuer that, if required by securities legislation to be audited, are audited in accordance with the auditing standards that would be required by this Instrument if the credit supporter or credit support issuer, as the case may be, filed financial statements referred to in paragraph 2.1(2)(b).

### **3.7 Acceptable Accounting Principles for SEC Issuers —**

- (1) Despite subsection 3.2(1), an SEC issuer's financial statements referred to in paragraphs 2.1(2)(b), (c) and (e) and financial information referred to in paragraph 2.1(2)(f) that are filed with or delivered to a securities regulatory authority or regulator, other than acquisition statements, may be prepared in accordance with U.S. GAAP.
- (2) The notes to the financial statements must identify the accounting principles used to prepare the financial statements.

### **3.8 Acceptable Auditing Standards for SEC Issuers —**

- (1) Despite subsection 3.3(1), an SEC issuer's financial statements referred to in paragraphs 2.1(2)(b), (c) and (e) and financial information referred to in paragraph 2.1(2)(f) that are filed with or delivered to a securities regulatory authority or regulator, other than acquisition statements, and that are required by securities legislation to be audited, may be audited in accordance with U.S. PCAOB GAAS if the financial statements are accompanied by
  - (a) an auditor's report prepared in accordance with U.S. PCAOB GAAS that
    - (i) contains an unqualified opinion,
    - (ii) identifies all financial periods presented for which the auditor has issued an auditor's report, and

- (iii) identifies the auditing standards used to conduct the audit and the accounting principles used to prepare the financial statements; and
  - (b) the predecessor auditor's reports on the comparative periods, if the issuer has changed its auditor and one or more of the comparative periods presented in the financial statements were audited by the predecessor auditor.
- (2) Paragraph (1)(b) does not apply to financial statements referred to in paragraph 2.1(2)(b) if the auditor's report described in paragraph (1)(a) refers to the predecessor auditor's reports on the comparative periods.

### **3.9 Acceptable Accounting Principles for Foreign Issuers —**

- (1) Despite subsection 3.2(1), a foreign issuer's financial statements referred to in paragraphs 2.1(2)(b), (c) and (e) that are filed with or delivered to a securities regulatory authority or regulator, other than acquisition statements, may be prepared in accordance with
  - (a) IFRS;
  - (b) U.S. GAAP, if the issuer is an SEC foreign issuer;
  - (c) accounting principles that meet the disclosure requirements for foreign private issuers, as that term is defined for the purposes of the 1934 Act, if
    - (i) the issuer is an SEC foreign issuer,
    - (ii) on the last day of the most recently completed financial year the total number of equity securities owned directly or indirectly by residents of Canada does not exceed ten per cent, on a fully-diluted basis, of the total number of equity securities of the issuer, and
    - (iii) the financial statements include any reconciliation to U.S. GAAP required by the SEC; or
  - (d) accounting principles that meet the foreign disclosure requirements of the designated foreign jurisdiction to which the issuer is subject, if the issuer is a designated foreign issuer.
- (2) The notes to the financial statements must identify the accounting principles used to prepare the financial statements.



### 3.10 Acceptable Auditing Standards for Foreign Issuers —

- (1) Despite subsection 3.3(1), a foreign issuer's financial statements referred to in paragraphs 2.1(2)(b), (c) and (e) that are filed with or delivered to a securities regulatory authority or regulator, other than acquisition statements, that are required by securities legislation to be audited may be audited in accordance with
  - (a) International Standards on Auditing if the financial statements are accompanied by
    - (i) an auditor's report that
      - (A) does not contain a modification of opinion,
      - (B) identifies all financial periods presented for which the auditor has issued the auditor's report,
      - (C) identifies the auditing standards used to conduct the audit and the accounting principles used to prepare the financial statements, and
      - (D) is prepared in accordance with the same auditing standards used to audit the financial statements, and
    - (ii) the predecessor auditor's reports on the comparative periods, if the issuer has changed its auditor and one or more of the comparative periods presented in the financial statements were audited by the predecessor auditor;
  - (b) U.S. PCAOB GAAS if the financial statements are accompanied by
    - (i) an auditor's report that
      - (A) contains an unqualified opinion,
      - (B) identifies all financial periods presented for which the auditor has issued the auditor's report,
      - (C) identifies the auditing standards used to conduct the audit and the accounting principles used to prepare the financial statements, and
      - (D) is prepared in accordance with the same auditing

standards used to audit the financial statements, and

- (ii) the predecessor auditor's reports on the comparative periods, if the issuer has changed its auditor and one or more of the comparative periods presented in the financial statements were audited by the predecessor auditor; or
- (c) auditing standards that meet the foreign disclosure requirements of the designated foreign jurisdiction to which the issuer is subject, if
  - (i) the issuer is a designated foreign issuer,
  - (ii) the financial statements are accompanied by an auditor's report prepared in accordance with the same auditing standards used to audit the financial statements, and
  - (iii) the auditor's report identifies the auditing standards used to conduct the audit and the accounting principles used to prepare the financial statements.
- (2) Subparagraph (1)(a)(ii) or (b)(ii) does not apply to financial statements referred to in paragraph 2.1(2)(b) if the auditor's report described in subparagraph (1)(a)(i) or (b)(i), as the case may be, refers to the predecessor auditor's reports on the comparative periods.

### **3.11 Acceptable Accounting Principles for Acquisition Statements —**

- (1) Acquisition statements must be prepared in accordance with any of the following accounting principles:
  - (a) Canadian GAAP applicable to publicly accountable enterprises;
  - (b) IFRS;
  - (c) U.S. GAAP;
  - (d) accounting principles that meet the disclosure requirements for foreign private issuers, as that term is defined for the purposes of the 1934 Act, if
    - (i) the issuer or the acquired business or business to be acquired is an SEC foreign issuer;
    - (ii) on the last day of the most recently completed financial year the total number of equity securities owned directly or indirectly by residents of Canada does not exceed ten per

cent, on a fully-diluted basis, of the total number of equity securities of the SEC foreign issuer; and

- (iii) the financial statements include any reconciliation to U.S. GAAP required by the SEC;
- (e) accounting principles that meet the foreign disclosure requirements of the designated foreign jurisdiction to which the issuer or the acquired business or business to be acquired is subject, if the issuer or business is a designated foreign issuer;
- (f) Canadian GAAP applicable to private enterprises if
  - (i) the acquisition statements consolidate any subsidiaries and account for significantly influenced investees and joint ventures using the equity method,
  - (ii) financial statements for the acquired business or business to be acquired, or operating statements for the oil and gas property that is an acquired business or a business to be acquired, were not previously prepared in accordance with any of the accounting principles specified in paragraphs (a) to (e), and
  - (iii) the acquisition statements are accompanied by a notice stating:

These [*insert* “financial statements” or “operating statements” *as applicable*] are prepared in accordance with Canadian GAAP applicable to private enterprises. The recognition, measurement and disclosure requirements of Canadian GAAP applicable to private enterprises differ from those of Canadian GAAP applicable to publicly accountable enterprises, which are International Financial Reporting Standards incorporated into the Handbook. The *pro forma* financial statements included in the document include adjustments relating to the [*insert* “acquired business” or “business to be acquired” *as applicable*] and present *pro forma* information prepared using accounting principles that are consistent with the accounting principles used by the issuer.

- (2) Paragraph (1)(f) does not apply in Ontario.

- (3) Acquisition statements must be prepared in accordance with the same accounting principles for all periods presented.
- (4) Acquisition statements to which paragraph (1)(a) applies must disclose
  - (a) in the case of annual financial statements, an explicit and unreserved statement of compliance with IFRS,
  - (b) in the case of operating statements referred to in paragraph 2.1(2)(d), a statement that the information in the operating statements is prepared in accordance with the requirements in IFRS for the recognition, measurement and disclosure for the information, and
  - (c) in the case of interim financial reports, compliance with International Accounting Standard 34 *Interim Financial Reporting*.
- (5) Unless paragraph (1)(a) applies, the notes to the acquisition statements must identify the accounting principles used to prepare the acquisition statements.
- (6) Unless paragraph (1)(f) applies, if acquisition statements are prepared using accounting principles that are different from the issuer's GAAP, the acquisition statements for the most recently completed financial year and interim period that are required to be filed must be reconciled to the issuer's GAAP and the notes to the acquisition statements must
  - (a) explain the material differences between the issuer's GAAP and the accounting principles used to prepare the acquisition statements that relate to recognition, measurement, and presentation; and
  - (b) quantify the effect of material differences between the issuer's GAAP and the accounting principles used to prepare the acquisition statements that relate to recognition, measurement and presentation, including a tabular reconciliation between profit or loss reported in the acquisition statements and profit or loss computed in accordance with the issuer's GAAP.

### **3.12 Acceptable Auditing Standards for Acquisition Statements —**

- (1) Acquisition statements that are required by securities legislation to be audited must be accompanied by an auditor's report and audited in accordance with any of the following auditing standards:
  - (a) Canadian GAAS;

- (b) International Standards on Auditing;
  - (c) U.S. PCAOB GAAS;
  - (d) U.S. AICPA GAAS, if the acquired business or business to be acquired is not an SEC issuer;
  - (e) auditing standards that meet the foreign disclosure requirements of the designated foreign jurisdiction to which the issuer is subject, if the issuer is a designated foreign issuer.
- (2) The auditor's report must
- (a) if paragraph (1)(a) or (b) applies, not contain a modification of opinion;
  - (b) if paragraph (1)(c) or (d) applies, contain an unqualified opinion;
  - (c) unless paragraph (1)(e) applies, identify all financial periods presented for which the auditor has issued an auditor's report;
  - (d) identify the auditing standards used to conduct the audit;
  - (e) identify the accounting principles used to prepare the acquisition statements, unless the auditor's report accompanies acquisition statements prepared in accordance with Canadian GAAP applicable to publicly accountable enterprises and audited in accordance with Canadian GAAS; and
  - (f) if it accompanies acquisition statements prepared in accordance with Canadian GAAP applicable to publicly accountable enterprises and audited in accordance with Canadian GAAS
    - (i) in the case of acquisition statements that are operating statements or financial statements for a business division, refer to the requirements in IFRS for the recognition, measurement and disclosure of information in the statements as the applicable fair presentation framework, and
    - (ii) in the case of other acquisition statements, refer to IFRS as the applicable fair presentation framework.
- (3) Despite paragraphs (2)(a) and (b), an auditor's report that accompanies acquisition statements may contain a qualification of opinion relating to

inventory if

- (a) the issuer includes in the business acquisition report, prospectus or other document containing the acquisition statements, a statement of financial position for the acquired business or business to be acquired that is for a date that is subsequent to the date to which the qualification relates; and
- (b) the statement of financial position referred to in paragraph (a) is accompanied by an auditor's report that does not contain a qualification of opinion relating to closing inventory.

**3.13 Financial Information for Acquisitions Accounted for by the Issuer Using the Equity Method —**

- (1) If an issuer files, or includes in a prospectus, summarized financial information including the aggregated amounts of assets, liabilities, revenue and profit or loss of an acquired business or business to be acquired that is, or will be, an investment accounted for by the issuer using the equity method, the financial information must
  - (a) meet the requirements in section 3.11 if the term “acquisition statements” in that section is read as “summarized financial information including the aggregated amounts of assets, liabilities, revenue and profit or loss of an acquired business or business to be acquired that is, or will be, an investment accounted for by the issuer using the equity method,” and
  - (b) disclose the presentation currency for the financial information, and disclose the functional currency if it is different than the presentation currency.
- (2) If the financial information referred to in subsection (1) is required by securities legislation to be audited or derived from audited financial statements, the financial information must
  - (a) either
    - (i) meet the requirements in section 3.12 if the term “acquisition statements” in that section is read as “summarized financial information including the aggregated amounts of assets, liabilities, revenue and profit or loss of an acquired business or business to be acquired that is, or will be, an investment accounted for by the issuer using the equity method,” or

- (ii) be derived from financial statements that meet the requirements in section 3.12 if the term “acquisition statements” in that section is read as “financial statements from which is derived summarized financial information including the aggregated amounts of assets, liabilities, revenue and profit or loss of an acquired business or business to be acquired that is, or will be, an investment accounted for by the issuer using the equity method,”; and
- (b) be audited, or derived from financial statements that are audited, by a person or company that is authorized to sign an auditor’s report by the laws of a jurisdiction of Canada or a foreign jurisdiction, and that meets the professional standards of that jurisdiction.

**3.14 Acceptable Accounting Principles for *Pro Forma* Financial Statements** — *Pro forma* financial statements must be prepared using principles that are consistent with the issuer’s GAAP.

**3.15 Acceptable Accounting Principles for Foreign Registrants** — Despite subsection 3.2 (3), financial statements and interim financial information delivered by a foreign registrant may be prepared in accordance with

- (a) IFRS, except that the financial statements or interim financial information must account for investments in subsidiaries, jointly controlled entities and associates as specified for separate financial statements in IFRS;
- (b) U.S. GAAP, except that the financial statements or interim financial information must account for investments in subsidiaries, jointly controlled entities and associates as specified for separate financial statements in IFRS; or
- (c) accounting principles that meet the foreign disclosure requirements of a foreign regulatory authority to which the registrant is subject, if it is a foreign registrant incorporated or organized under the laws of that designated foreign jurisdiction.

**3.16 Acceptable Auditing Standards for Foreign Registrants** —

- (1) Despite subsection 3.3(1), financial statements referred to in paragraph 2.1(2)(a) that are delivered by a foreign registrant and required by securities legislation to be audited may be audited in accordance with
  - (a) International Standards on Auditing if the financial statements are accompanied by

- (i) an auditor's report that
    - (A) does not contain a modification of opinion,
    - (B) identifies all financial periods presented for which the auditor has issued the auditor's report,
    - (C) identifies the auditing standards used to conduct the audit and the accounting principles used to prepare the financial statements, and
    - (D) is prepared in accordance with the same auditing standards used to audit the financial statements; and
  - (ii) the predecessor auditor's reports on the comparative periods, if the foreign registrant has changed its auditor and one or more of the comparative periods presented in the financial statements were audited by the predecessor auditor;
- (b) U.S. PCAOB GAAS or U.S. AICPA GAAS if the financial statements are accompanied by
- (i) an auditor's report that
    - (A) contains an unqualified opinion,
    - (B) identifies all financial periods presented for which the auditor has issued the auditor's report,
    - (C) identifies the auditing standards used to conduct the audit and the accounting principles used to prepare the financial statements, and
    - (D) is prepared in accordance with the same auditing standards used to audit the financial statements, and
  - (ii) the predecessor auditor's reports on the comparative periods, if the foreign registrant has changed its auditor and one or more of the comparative periods presented in the financial statements were audited by the predecessor auditor; or
- (c) auditing standards that meet the foreign disclosure requirements of the designated foreign jurisdiction to which the registrant is



subject, if

- (i) it is a foreign registrant incorporated or organized under the laws of that designated foreign jurisdiction,
  - (ii) the financial statements are accompanied by an auditor's report prepared in accordance with the same auditing standards used to audit the financial statements, and
  - (iii) the auditor's report identifies the accounting principles used to prepare the financial statements.
- (2) Subparagraph (1)(a)(ii) or (b)(ii) does not apply if the auditor's report described in subparagraph (1)(a)(i) or (b)(i), as the case may be, refers to the predecessor auditor's reports on the comparative periods.

**PART 4:  
RULES APPLYING TO FINANCIAL YEARS BEGINNING BEFORE  
JANUARY 1, 2011**

**4.1 Definitions** — In this Part,

“Canadian GAAP - Part IV” means generally accepted accounting principles determined in accordance with Part IV of the Handbook applicable to public enterprises;

“public enterprise” means a public enterprise determined in accordance with the Handbook.

**4.2 Acceptable Accounting Principles – General Requirements** —

- (1) Financial statements, other than financial statements delivered by registrants and acquisition statements, must be prepared in accordance with Canadian GAAP – Part IV.
- (2) Financial statements and interim financial information delivered by a registrant to the securities regulatory authority, must be prepared in accordance with Canadian GAAP – Part IV except that those financial statements and interim financial information must be prepared on a non-consolidated basis.
- (3) Financial statements must be prepared in accordance with the same accounting principles for all periods presented in the financial statements.
- (4) The notes to the financial statements must identify the accounting

principles used to prepare the financial statements.

**4.3 Acceptable Auditing Standards – General Requirements** — Financial statements, other than acquisition statements, that are required by securities legislation to be audited must be audited in accordance with Canadian GAAS and be accompanied by an auditor’s report that

- (a) does not contain a reservation;
- (b) identifies all financial periods presented for which the auditor has issued an auditor’s report;
- (c) refers to the predecessor auditor’s reports on the comparative periods, if the issuer or registrant has changed its auditor and one or more of the comparative periods presented in the financial statements were audited by the predecessor auditor; and
- (d) identifies the accounting principles used to prepare the financial statements.

**4.4 Acceptable Auditors** — An auditor’s report filed by an issuer or delivered by a registrant must be prepared and signed by a person or company that is authorized to sign an auditor’s report by the laws of a jurisdiction of Canada or a foreign jurisdiction, and that meets the professional standards of that jurisdiction.

**4.5 Measurement and Reporting Currencies** —

- (1) The reporting currency must be disclosed on the face page of the financial statements or in the notes to the financial statements unless the financial statements are prepared in accordance with Canadian GAAP – Part IV and the reporting currency is the Canadian dollar.
- (2) The notes to the financial statements must disclose the measurement currency if it is different than the reporting currency.

**4.6 Credit Supporters** —

- (1) Unless subsection 4.2(1) applies, if a credit support issuer files, or includes in a prospectus, financial statements of a credit supporter, the credit supporter’s financial statements must
  - (a) be prepared in accordance with the accounting principles and audited in accordance with the auditing standards that would be required by this Instrument if the credit supporter filed financial statements referred to in paragraph 2.1(2)(b),

- (b) identify the accounting principles used to prepare the financial statements, and
  - (c) disclose the reporting currency for the financial statements, and disclose the measurement currency if it is different than the reporting currency.
- (2) If a credit support issuer files, or includes in a prospectus, summary financial information for the credit supporter or credit support issuer,
- (a) the summary financial information must
    - (i) be prepared in accordance with the accounting principles that this Instrument would require to be used in preparing financial statements if the credit supporter or credit support issuer, as the case may be, filed financial statements referred to in paragraph 2.1(2)(b),
    - (ii) identify the accounting principles used to prepare the summary financial information, and
    - (iii) disclose the reporting currency for the financial information, and disclose the measurement currency if it is different than the reporting currency; and
  - (b) the amounts presented in the summary financial information must be derived from financial statements for the credit supporter or credit support issuer that, if required by securities legislation to be audited, are audited in accordance with the auditing standards that would be required by this Instrument if the credit supporter or credit support issuer, as the case may be, filed financial statements referred to in paragraph 2.1(2)(b).

#### **4.7 Acceptable Accounting Principles for SEC Issuers —**

- (1) Despite subsections 4.2(1) and (3), financial statements of an SEC issuer that are filed with or delivered to a securities regulatory authority or regulator, other than acquisition statements, may be prepared in accordance with U.S. GAAP provided that, if the SEC issuer previously filed or included in a prospectus financial statements prepared in accordance with Canadian GAAP – Part IV, the SEC issuer complies with the following:
- (a) the notes to the first two sets of the issuer’s annual financial statements after the change from Canadian GAAP – Part IV to U.S. GAAP and the notes to the issuer’s interim financial

statements for interim periods during those two years

- (i) explain the material differences between Canadian GAAP – Part IV and U.S. GAAP that relate to recognition, measurement and presentation;
  - (ii) quantify the effect of material differences between Canadian GAAP – Part IV and U.S. GAAP that relate to recognition, measurement and presentation, including a tabular reconciliation between net income reported in the financial statements and net income computed in accordance with Canadian GAAP – Part IV; and
  - (iii) provide disclosure consistent with disclosure requirements of Canadian GAAP – Part IV to the extent not already reflected in the financial statements;
- (b) financial information for any comparative periods that were previously reported in accordance with Canadian GAAP – Part IV are presented as follows:
- (i) as previously reported in accordance with Canadian GAAP – Part IV;
  - (ii) as restated and presented in accordance with U.S. GAAP; and
  - (iii) supported by an accompanying note that
    - (A) explains the material differences between Canadian GAAP – Part IV and U.S. GAAP that relate to recognition, measurement and presentation; and
    - (B) quantifies the effect of material differences between Canadian GAAP – Part IV and U.S. GAAP that relate to recognition, measurement and presentation, including a tabular reconciliation between net income as previously reported in the financial statements in accordance with Canadian GAAP – Part IV and net income as restated and presented in accordance with U.S. GAAP; and
- (c) if the SEC issuer has filed financial statements prepared in accordance with Canadian GAAP – Part IV for one or more interim periods of the current year, those interim financial statements are restated in accordance with U.S. GAAP and comply

with paragraphs (a) and (b).

- (2) Subsection (1) does not impose a requirement in respect of any period relating to a financial year that begins on or after January 1, 2011.
- (3) The comparative information specified in subparagraph (1)(b)(i) may be presented on the face of the balance sheet and statements of income and cash flow or in the note to the financial statements required by subparagraph (1)(b)(iii).

**4.8 Acceptable Auditing Standards for SEC Issuers** — Despite section 4.3, financial statements of an SEC issuer that are filed with or delivered to a securities regulatory authority or regulator, other than acquisition statements, and that are required by securities legislation to be audited, may be audited in accordance with U.S. PCAOB GAAS if the financial statements are accompanied by an auditor’s report prepared in accordance with U.S. PCAOB GAAS that

- (a) contains an unqualified opinion;
- (b) identifies all financial periods presented for which the auditor has issued an auditor’s report;
- (c) refers to the predecessor auditor’s reports on the comparative periods, if the issuer has changed its auditor and one or more of the comparative periods presented in the financial statements were audited by the predecessor auditor; and
- (d) identifies the accounting principles used to prepare the financial statements.

**4.9 Acceptable Accounting Principles for Foreign Issuers** — Despite subsection 4.2(1), financial statements of a foreign issuer that are filed with or delivered to a securities regulatory authority or regulator, other than acquisition statements, may be prepared in accordance with any of the following accounting principles:

- (a) U.S. GAAP, if the issuer is an SEC foreign issuer;
- (b) IFRS;
- (c) accounting principles that meet the disclosure requirements for foreign private issuers, as that term is defined for the purposes of the 1934 Act, if
  - (i) the issuer is an SEC foreign issuer;
  - (ii) on the last day of the most recently completed financial year the

total number of equity securities owned directly or indirectly by residents of Canada does not exceed ten per cent, on a fully-diluted basis, of the total number of equity securities of the issuer; and

- (iii) the financial statements include any reconciliation to U.S. GAAP required by the SEC;
- (d) accounting principles that meet the foreign disclosure requirements of the designated foreign jurisdiction to which the issuer is subject, if the issuer is a designated foreign issuer;
- (e) accounting principles that cover substantially the same core subject matter as Canadian GAAP – Part IV, including recognition and measurement principles and disclosure requirements, if the notes to the financial statements
  - (i) explain the material differences between Canadian GAAP – Part IV and the accounting principles used that relate to recognition, measurement and presentation;
  - (ii) quantify the effect of material differences between Canadian GAAP – Part IV and the accounting principles used that relate to recognition, measurement and presentation, including a tabular reconciliation between net income reported in the issuer’s financial statements and net income computed in accordance with Canadian GAAP – Part IV; and
  - (iii) provide disclosure consistent with Canadian GAAP – Part IV requirements to the extent not already reflected in the financial statements.

**4.10 Acceptable Auditing Standards for Foreign Issuers** — Despite section 4.3 , financial statements of a foreign issuer that are filed with or delivered to a securities regulatory authority or regulator, other than acquisition statements, that are required by securities legislation to be audited may, if the financial statements are accompanied by an auditor’s report prepared in accordance with the same auditing standards used to audit the financial statements and the auditor’s report identifies the accounting principles used to prepare the financial statements, be audited in accordance with

- (a) U.S. PCAOB GAAS, if the auditor’s report
  - (i) contains an unqualified opinion,
  - (ii) identifies all financial periods presented for which the auditor has issued an auditor’s report, and

- (iii) refers to the predecessor auditor's reports on the comparative periods, if the issuer has changed its auditor and one or more of the comparative periods presented in the financial statements were audited by the predecessor auditor;
- (b) International Standards on Auditing, if the auditor's report is accompanied by a statement by the auditor that
  - (i) describes any 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
  - (ii) indicates that an auditor's report prepared in accordance with Canadian GAAS would not contain a reservation; or
- (c) auditing standards that meet the foreign disclosure requirements of the designated foreign jurisdiction to which the issuer is subject, if the issuer is a designated foreign issuer.

#### **4.11 Acceptable Accounting Principles for Acquisition Statements —**

- (1) Acquisition statements must be prepared in accordance with any of the following accounting principles:
  - (a) Canadian GAAP – Part IV;
  - (b) U.S. GAAP;
  - (c) IFRS;
  - (d) accounting principles that meet the disclosure requirements for foreign private issuers, as that term is defined for the purposes of the 1934 Act, if
    - (i) the issuer or the acquired business or business to be acquired is an SEC foreign issuer;
    - (ii) on the last day of the most recently completed financial year the total number of equity securities owned directly or indirectly by residents of Canada does not exceed ten per cent, on a fully-diluted basis, of the total number of equity securities of the SEC foreign issuer; and
    - (iii) the financial statements include any reconciliation to U.S.

GAAP required by the SEC;

- (e) accounting principles that meet the foreign disclosure requirements of the designated foreign jurisdiction to which the issuer or the acquired business or business to be acquired is subject, if the issuer or business is a designated foreign issuer;
  - (f) accounting principles that cover substantially the same core subject matter as Canadian GAAP – Part IV, including recognition and measurement principles and disclosure requirements.
- (2) Acquisition statements must be prepared in accordance with the same accounting principles for all periods presented.
- (3) The notes to the acquisition statements must identify the accounting principles used to prepare the acquisition statements.
- (4) If acquisition statements are prepared using accounting principles that are different from the issuer's GAAP, the acquisition statements for the most recently completed financial year and interim period that are required to be filed must be reconciled to the issuer's GAAP and the notes to the acquisition statements must
- (a) explain the material differences between the issuer's GAAP and the accounting principles used to prepare the acquisition statements that relate to recognition, measurement, and presentation;
  - (b) quantify the effect of material differences between the issuer's GAAP and the accounting principles used to prepare the acquisition statements that relate to recognition, measurement and presentation, including a tabular reconciliation between net income reported in the acquisition statements and net income computed in accordance with the issuer's GAAP; and
  - (c) provide disclosure consistent with the issuer's GAAP to the extent not already reflected in the acquisition statements.
- (5) Despite subsections (1) and (4), if the issuer is required to reconcile its financial statements to Canadian GAAP – Part IV, the acquisition statements for the most recently completed financial year and interim period that are required to be filed must be
- (a) prepared in accordance with Canadian GAAP – Part IV; or
  - (b) reconciled to Canadian GAAP – Part IV and the notes to the acquisition statements must



- (i) explain the material differences between Canadian GAAP – Part IV and the accounting principles used to prepare the acquisition statements that relate to recognition, measurement, and presentation;
- (ii) quantify the effect of material differences between Canadian GAAP – Part IV and the accounting principles used to prepare the acquisition statements that relate to recognition, measurement and presentation, including a tabular reconciliation between net income reported in the acquisition statements and net income computed in accordance with Canadian GAAP – Part IV; and
- (iii) provide disclosure consistent with disclosure requirements of Canadian GAAP – Part IV to the extent not already reflected in the acquisition statements.

#### **4.12 Acceptable Auditing Standards for Acquisition Statements —**

- (1) Acquisition statements that are required by securities legislation to be audited must be audited in accordance with any of the following auditing standards:
  - (a) Canadian GAAS;
  - (b) U.S. PCAOB GAAS;
  - (c) U.S. AICPA GAAS, if the acquired business or business to be acquired is not an SEC issuer.
- (2) Despite subsection (1), acquisition statements filed by or included in a prospectus of a foreign issuer may be audited in accordance with
  - (a) International Standards on Auditing, if the auditor’s report is accompanied by a statement by the auditor that
    - (i) describes any 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
    - (ii) indicates that an auditor’s report prepared in accordance with Canadian GAAS would not contain a reservation; or
  - (b) auditing standards that meet the foreign disclosure requirements of the designated foreign jurisdiction to which the issuer is subject, if

the issuer is a designated foreign issuer.

- (3) Acquisition statements must be accompanied by an auditor's report prepared in accordance with the same auditing standards used to audit the acquisition statements and the auditor's report must identify the accounting principles used to prepare the financial statements.
- (4) If acquisition statements are audited in accordance with paragraph (1)(a), the auditor's report must not contain a reservation.
- (5) If acquisition statements are audited in accordance with paragraph (1)(b) or (c), the auditor's report must contain an unqualified opinion.
- (6) Despite paragraph (2)(a) and subsections (4) and (5) an auditor's report that accompanies acquisition statements may contain a qualification of opinion relating to inventory if
  - (a) the issuer includes in the business acquisition report, prospectus or other document containing the acquisition statements, a balance sheet for the acquired business or business to be acquired that is for a date that is subsequent to the date to which the qualification relates; and
  - (b) the balance sheet referred to in paragraph (a) is accompanied by an auditor's report that does not contain a qualification of opinion relating to closing inventory.

#### **4.13 Financial Information for Acquisitions Accounted for by the Issuer Using the Equity Method —**

- (1) If an issuer files, or includes in a prospectus, summarized financial information as to the assets, liabilities and results of operations of an acquired business or business to be acquired that is, or will be, an investment accounted for by the issuer using the equity method, the financial information must
  - (a) meet the requirements in section 4.11 if the term "acquisition statements" in that section is read as "summarized financial information as to the assets, liabilities and results of operations of an acquired business or business to be acquired that is, or will be, an investment accounted for by the issuer using the equity method," and
  - (b) disclose the reporting currency for the financial information, and disclose the measurement currency if it is different than the reporting currency.

- (2) If the financial information referred to in subsection (1) is for any completed financial year, the financial information must
- (a) either
    - (i) meet the requirements in section 4.12 if the term “acquisition statements” in that section is read as “summarized financial information as to the assets, liabilities and results of operations of an acquired business or business to be acquired that is; or will be, an investment accounted for by the issuer using the equity method,” or
    - (ii) be derived from financial statements that meet the requirements in section 4.12 if the term “acquisition statements” in that section is read as “financial statements from which is derived summarized financial information as to the assets, liabilities and results of operations of an acquired business or business to be acquired that is, or will be, an investment accounted for by the issuer using the equity method”; and
  - (b) be audited, or derived from financial statements that are audited, by a person or company that is authorized to sign an auditor’s report by the laws of a jurisdiction of Canada or a foreign jurisdiction, and that meets the professional standards of that jurisdiction.

#### **4.14 Acceptable Accounting Principles for *Pro Forma* Financial Statements —**

- (1) *Pro forma* financial statements must be prepared in accordance with the issuer’s GAAP.
- (2) Despite subsection (1), if an issuer’s financial statements have been reconciled to Canadian GAAP – Part IV under subsection 4.7(1) or paragraph 4.9(e), the issuer’s *pro forma* financial statements must be prepared in accordance with, or reconciled to, Canadian GAAP – Part IV.
- (3) Despite subsection (1), if an issuer’s financial statements have been prepared in accordance with the accounting principles referred to in paragraph 4.9(c) and those financial statements are reconciled to U.S. GAAP, the *pro forma* financial statements may be prepared in accordance with, or reconciled to, U.S. GAAP.

#### **4.15 Acceptable Accounting Principles for Foreign Registrants —**

- (1) Despite subsection 4.2(2), and subject to subsection (2), financial statements delivered by a foreign registrant may be prepared in accordance with any of the following accounting principles:
  - (a) U.S. GAAP;
  - (b) IFRS;
  - (c) accounting principles that meet the foreign disclosure requirements of a foreign regulatory authority to which the registrant is subject, if it is a foreign registrant incorporated or organized under the laws of that designated foreign jurisdiction;
  - (d) accounting principles that cover substantially the same core subject matter as Canadian GAAP – Part IV, including recognition and measurement principles and disclosure requirements, if the notes to the financial statements, interim balance sheets, or interim income statements
    - (i) explain the material differences between Canadian GAAP – Part IV and the accounting principles used that relate to recognition, measurement and presentation;
    - (ii) quantify the effect of material differences between Canadian GAAP – Part IV and the accounting principles used that relate to recognition, measurement, and presentation; and
    - (iii) provide disclosure consistent with disclosure requirements of Canadian GAAP – Part IV to the extent not already reflected in the financial statements, interim balance sheets or interim income statements.
- (2) Financial statements, interim balance sheets, and interim income statements delivered by a foreign registrant prepared in accordance with accounting principles specified in paragraph (1)(a), (b) or (d) must be prepared on a non-consolidated basis.

**4.16 Acceptable Auditing Standards for Foreign Registrants** — Despite section 4.3, financial statements delivered by a foreign registrant that are required by securities legislation to be audited may, if the financial statements are accompanied by an auditor’s report prepared in accordance with the same auditing standards used to audit the financial statements and the auditor’s report identifies the accounting principles used to prepare the financial statements, be audited in accordance with

- (a) U.S. PCAOB GAAS or U.S. AICPA GAAS if the auditor's report contains an unqualified opinion;
- (b) International Standards on Auditing, if the auditor's report is accompanied by a statement by the auditor that
  - (i) describes any 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
  - (ii) indicates that an auditor's report prepared in accordance with Canadian GAAS would not contain a reservation; or
- (c) auditing standards that meet the foreign disclosure requirements of the designated foreign jurisdiction to which the registrant is subject, if it is a foreign registrant incorporated or organized under the laws of that designated foreign jurisdiction.

## **PART 5: EXEMPTIONS**

### **5.1 Exemptions —**

- (1) The regulator or securities regulatory authority may grant an exemption from this Instrument, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.
- (2) Despite subsection (1), in Ontario, only the regulator may grant an exemption.
- (3) Except in Ontario, an exemption referred to in subsection (1) is granted under the statute referred to in Appendix B of National Instrument 14-101 *Definitions* opposite the name of the local jurisdiction.

### **5.2 Certain Exemptions Evidenced by Receipt —**

- (1) Subject to subsections (2) and (3), without limiting the manner in which an exemption may be evidenced, an exemption from this Instrument as it pertains to financial statements or auditor's reports included in a prospectus, may be evidenced by the issuance of a receipt for the prospectus or an amendment to the prospectus.
- (2) A person or company must not rely on a receipt as evidence of an exemption unless the person or company
  - (a) sent to the regulator or securities regulatory authority, on or before the date the preliminary prospectus or the amendment to the

preliminary prospectus or prospectus was filed, a letter or memorandum describing the matters relating to the exemption application, and indicating why consideration should be given to the granting of the exemption; or

- (b) sent to the regulator or securities regulatory authority the letter or memorandum referred to in paragraph (a) after the date of the preliminary prospectus or the amendment to the preliminary prospectus or prospectus has been filed and receives a written acknowledgement from the securities regulatory authority or regulator that issuance of the receipt is evidence that the exemption is granted.
- (3) A person or company must not rely on a receipt as evidence of an exemption if the regulator or securities regulatory authority has before, or concurrently with, the issuance of the receipt for the prospectus, sent notice to the person or company that the issuance of a receipt does not evidence the granting of the exemption.
- (4) For the purpose of this section, a reference to a prospectus does not include a preliminary prospectus.

#### **PART 6: REVOCATION AND EFFECTIVE DATE**

- 6.1 Revocation** — National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency*, which came into force on March 30, 2004, is revoked.
- 6.2 Effective Date** — This Instrument comes into force on January 1, 2011.