

## Chapter 5

# Rules and Policies

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### 5.1.1 National Instrument 52-107 Acceptable Accounting Principles, Auditing Standards and Reporting Currency

#### NATIONAL INSTRUMENT 52-107 ACCEPTABLE ACCOUNTING PRINCIPLES, AUDITING STANDARDS AND REPORTING CURRENCY

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**NATIONAL INSTRUMENT 52-107  
ACCEPTABLE ACCOUNTING PRINCIPLES,  
AUDITING STANDARDS AND REPORTING CURRENCY**

**PART 1  
DEFINITIONS AND INTERPRETATION**

**1.1 Definitions** – In this Instrument:

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

“acquisition statements” means the 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 required to be filed under National Instrument 51-102 or that are included in a prospectus;

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

“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;

“credit supporter” means a person or company that provides a guarantee 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, and
- (c) for which 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, 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” with respect to a person or company means an individual who is

- (a) a chair of the person or company,
- (b) a vice-chair of the person or company,
- (c) the president of the person or company,

- (d) a vice-president of the person or company in charge of a principal business unit, division or function including sales, finance or production,
- (e) an officer of the person or company or any of its subsidiaries who performed a policy-making function in respect of the person or company, or
- (f) any other individual who performed a policy-making function in respect of the person or company;

“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, other than an investment fund, 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, except a registrant that satisfies the following conditions:

- (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 Dealers Association under IDA By-Law No. 36 *Inter-Dealer Bond Brokerage Systems*, as amended, and is subject to IDA By-Law No. 36 and IDA Regulation 2100 *Inter-Dealer Bond Brokerage Systems*, as amended;

“investment fund” means a mutual fund or a non-redeemable investment fund;

“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 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*;

“non-redeemable investment fund” means any issuer

- (a) where contributions of security holders are pooled for investment,
- (b) where security holders do not have day-to-day control over the management and investment decisions of the issuer, whether or not they have the right to be consulted or to give directions, and
- (c) whose securities do not entitle the security holder to receive on demand, or within a specified period after demand, an amount computed by reference to the value of a proportionate interest in the whole or in part of the net assets of the issuer;

“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;

“public enterprise” means a public enterprise determined with reference to the Handbook;

“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, and
- (b) 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 and Regulation S-B under the 1934 Act; and

“U.S. GAAS” means generally accepted auditing standards in the United States of America, as supplemented by the SEC’s rules on auditor independence.

## 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” and paragraph 5.1(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 depository receipt or an American depository share issued by a depository holding equity securities of the foreign issuer.
- (2) For the purposes of paragraph (a) of the definition of “foreign issuer”, securities represented by American depository receipts or American depository shares issued by a depository 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”, paragraph (a) of the definition of “foreign issuer” and paragraph (a) of the definition of “foreign registrant”, 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) **Interpretation of “prospectus”** – 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) **Interpretation of “included”** – 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 annual and interim financial statements delivered by registrants to the securities regulatory authority,
  - (b) all annual, interim and *pro forma* financial statements filed, or included in a document that is filed, under National Instrument 51-102 or National Instrument 71-102,
  - (c) all annual, interim and *pro forma* financial statements included in a prospectus or a take-overbid circular filed, or included in a document that is filed,
  - (d) any operating statements for an oil and gas property that is an acquired business or a business to be acquired, that are filed under National Instrument 51-102 or that are included in a prospectus or a take-over bid circular filed, or included in a document that is filed,
  - (e) any other annual, interim or *pro forma* financial statement filed by a reporting issuer, and
  - (f) financial information that is filed under National Instrument 51-102 or that is included in a prospectus or a take-over bid circular filed, or included in a document that is filed, that is
    - (i) derived from a credit support issuer's consolidated financial statements, or
    - (ii) summarized financial information as to the assets, liabilities and results of operations of a business relating to an acquisition that is, or will be, an investment accounted for by the issuer using the equity method.

**PART 3  
GENERAL RULES**

**3.1 Acceptable Accounting Principles –**

- (1) Financial statements, other than acquisition statements, must be prepared in accordance with Canadian GAAP as applicable to public enterprises.
- (2) Financial statements must be prepared in accordance with the same accounting principles for all periods presented in the financial statements.
- (3) The notes to the financial statements must identify the accounting principles used to prepare the financial statements.

**3.2 Acceptable Auditing Standards –** 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 former 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 a different auditor; and
- (d) identifies the auditing standards used to conduct the audit and the accounting principles used to prepare the financial statements.

**3.3 Acceptable Auditors –**

An auditor's report filed by an issuer or 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.

**3.4 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 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.

**3.5 Financial Information Derived from a Credit Support Issuer's Consolidated Financial Statements –**

If a credit support issuer files, or includes in a prospectus, financial information derived from the credit support issuer's consolidated financial statements,

- (a) the credit support issuer's consolidated financial statements must be prepared in accordance with Canadian GAAP as applicable to public enterprises for all periods presented in the financial statements and in the case of annual audited consolidated financial statements,
  - (i) be audited in accordance with Canadian GAAS and
  - (ii) be accompanied by an auditor's report that
    - (A) does not contain a reservation, and
    - (B) is 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;
- (b) the financial information must disclose that the credit support issuer's consolidated financial statements from which the financial information is derived were prepared in accordance with Canadian GAAP as applicable to public enterprises; and
- (c) the financial information must disclose the reporting currency for the financial information, and disclose the measurement currency if it is different than the reporting currency.

**PART 4  
EXEMPTIONS FOR SEC ISSUERS**

**4.1 Acceptable Accounting Principles for SEC Issuers –**

- (1) Despite subsections 3.1(1) and 3.1(2), financial statements filed by an SEC issuer, 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, 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 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 as applicable to public enterprises and U.S. GAAP that relate to recognition, measurement and presentation;
    - (ii) quantify the effect of material differences between Canadian GAAP as applicable to public enterprises 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 as applicable to public enterprises; and

- (iii) provide disclosure consistent with disclosure requirements of Canadian GAAP as applicable to public enterprises 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 are presented as follows:
    - (i) as previously reported in accordance with Canadian GAAP;
    - (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 and U.S. GAAP that relate to recognition, measurement and presentation; and
      - (B) quantifies the effect of material differences between Canadian GAAP 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 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 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) The comparative information specified in subparagraph 4.1(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 4.1(1)(b)(iii).

**4.2 Acceptable Auditing Standards for SEC Issuers** – Despite section 3.2, financial statements filed by an SEC issuer, other than acquisition statements, that are required by securities legislation to be audited may be audited in accordance with U.S. GAAS if the financial statements are accompanied by an auditor's report prepared in accordance with U.S. 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 former 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 a different auditor; and
- (d) identifies the auditing standards used to conduct the audit and the accounting principles used to prepare the financial statements.

## PART 5 EXEMPTIONS FOR FOREIGN ISSUERS

**5.1 Acceptable Accounting Principles for Foreign Issuers** – Despite subsection 3.1(1), financial statements filed by a foreign issuer, other than acquisition statements, may be prepared in accordance with

- (a) U.S. GAAP, if the issuer is an SEC foreign issuer;
- (b) International Financial Reporting Standards;
- (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; or
- (e) accounting principles that cover substantially the same core subject matter as Canadian GAAP, including recognition and measurement principles and disclosure requirements, if the notes to the financial statements
  - (i) explain the material differences between Canadian GAAP applicable to public enterprises and the accounting principles used that relate to recognition, measurement and presentation;
  - (ii) quantify the effect of material differences between Canadian GAAP applicable to public enterprises 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 applicable to public enterprises; and
  - (iii) provide disclosure consistent with Canadian GAAP applicable to public enterprises requirements to the extent not already reflected in the financial statements.

**5.2 Acceptable Auditing Standards for Foreign Issuers** – Despite section 3.2, financial statements filed by a foreign issuer, other than acquisition statements, that are required by securities legislation to be audited may be audited in accordance with

- (a) U.S. 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 issuer is subject, if the issuer is a designated foreign issuer,

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 auditing standards used to conduct the audit and the accounting principles used to prepare the financial statements.

**PART 6  
REQUIREMENTS FOR ACQUISITION STATEMENTS**

**6.1 Acceptable Accounting Principles for Acquisition Statements** –

- (1) Acquisition statements included in a business acquisition report or included in a prospectus must be prepared in accordance with any of the following accounting principles:
  - (a) Canadian GAAP applicable to public enterprises;
  - (b) U.S. GAAP;
  - (c) International Financial Reporting Standards;
  - (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 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 is subject, if the issuer or the acquired business is a designated foreign issuer; or
  - (f) accounting principles that cover substantially the same core subject matter as Canadian GAAP, 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, 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 applicable to public enterprises; or
  - (b) reconciled to Canadian GAAP applicable to public enterprises and the notes to the acquisition statements must
    - (i) explain the material differences between Canadian GAAP applicable to public enterprises 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 applicable to public enterprises 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 applicable to public enterprises; and
    - (iii) provide disclosure consistent with disclosure requirements of Canadian GAAP applicable to public enterprises to the extent not already reflected in the acquisition statements.

## 6.2 Acceptable Auditing Standards for Acquisition Statements –

- (1) Acquisition statements that are required by securities legislation to be audited must be audited in accordance with
  - (a) Canadian GAAS; or
  - (b) U.S. GAAS.
- (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 auditing standards used to conduct the audit and 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), 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 business 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.

### **6.3 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 a business relating to an acquisition 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 6.1 if the term "acquisition statements" in that section is read as "summarized financial information as to the assets, liabilities and results of operations of a business relating to an acquisition 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 6.2 if the term "acquisition statements" in that section is read as "summarized financial information as to the assets, liabilities and results of operations of a business relating to an acquisition 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 6.2 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 a business relating to an acquisition 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.

**PART 7**  
**PRO FORMA FINANCIAL STATEMENTS**

**7.1 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 under subsection 4.1(1) or paragraph 5.1(e), the issuer's *pro forma* financial statements must be prepared in accordance with, or reconciled to, Canadian GAAP applicable to public enterprises.
- (3) Despite subsection (1), if an issuer's financial statements have been prepared in accordance with the accounting principles referred to in paragraph 5.1(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.

**PART 8**  
**EXEMPTIONS FOR FOREIGN REGISTRANTS**

**8.1 Acceptable Accounting Principles for Foreign Registrants –** Despite subsection 3.1(1), financial statements delivered by a foreign registrant may be prepared in accordance with

- (a) U.S. GAAP;
- (b) International Financial Reporting Standards;
- (c) accounting principles that meet the 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; or
- (d) accounting principles that cover substantially the same core subject matter as Canadian GAAP, including recognition and measurement principles and disclosure requirements, if the notes to the financial statements
  - (i) explain the material differences between Canadian GAAP as applicable to public enterprises and the accounting principles used that relate to recognition, measurement and presentation;
  - (ii) quantify the effect of material differences between Canadian GAAP as applicable to public enterprises and the accounting principles used that relate to recognition, measurement, and presentation; and
  - (iii) provide disclosure consistent with disclosure requirements of Canadian GAAP as applicable to public enterprises to the extent not already reflected in the financial statements.

**8.2 Acceptable Auditing Standards for Foreign Registrants –** Despite section 3.2, financial statements delivered by a foreign registrant that are required by securities legislation to be audited may be audited in accordance with

- (a) U.S. 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,

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 auditing standards used to conduct the audit and the accounting principles used to prepare the financial statements.

**PART 9  
EXEMPTIONS**

**9.1 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.

**9.2 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 10  
EFFECTIVE DATE**

**10.1 Effective Date –** This Instrument comes into force on March 30, 2004.

**COMPANION POLICY  
TO NATIONAL INSTRUMENT 52-107  
ACCEPTABLE ACCOUNTING PRINCIPLES, AUDITING STANDARDS AND REPORTING CURRENCY**

**PART ONE      GENERAL**

- 1.1 Introduction and Purpose** – This companion policy provides information about how the provincial and territorial securities regulatory authorities interpret National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency* (the Instrument). The Instrument does not apply to investment funds. The Instrument sets out the accounting principles and auditing standards that must be used by
- (a) registrants required to deliver financial statements to a provincial or territorial securities regulatory authority.
  - (b) issuers required to file financial statements or any operating statement for an oil and gas property under National Instrument 51-102 and National Instrument 71-102,
  - (c) issuers required to include financial statements or any operating statement for an oil and gas property in a prospectus or take-over bid circular, or
  - (d) issuers required to deliver financial information that is filed under NI 51-102 or that is included in a prospectus or a take-over bid circular filed, or included in a document that is filed, with the securities regulatory authority that is
    - (i) derived from a credit support issuer's consolidated financial statements, or
    - (ii) summarized financial information as to the assets, liabilities and results of operations of a business relating to an acquisition that is, or will be, an investment accounted for by the issuer using the equity method.

Any other financial statement filed by a reporting issuer with a provincial or territorial securities regulatory authority must also be prepared in accordance with this Instrument.

- 1.2 Multijurisdictional Disclosure System** – National Instrument 71-101 *The Multijurisdictional Disclosure System* (NI 71-101) permits certain U.S. incorporated issuers to satisfy Canadian disclosure filing obligations, including financial statements, by using disclosure documents prepared in accordance with U.S. federal securities laws. The Instrument does not replace or alter NI 71-101. There are instances in which NI 71-101 and the Instrument offer similar relief to a reporting issuer. There are other instances in which the relief differs. If both NI 71-101 and the Instrument are available to a reporting issuer, the issuer should consider both instruments. It may choose to rely on the less onerous instrument in a given situation.
- 1.3 Calculation of Voting Securities Owned by Residents of Canada** – The definition of “foreign issuer” is based upon the definition of foreign private issuer in Rule 405 of the 1933 Act and Rule 3b-4 of the 1934 Act. For the purposes of the definition of “foreign issuer”, in determining the outstanding voting securities that are directly or indirectly owned by residents of Canada, an issuer should
- (a) use reasonable efforts to identify securities held by a broker, dealer, bank, trust company or nominee or any of them for the accounts of customers resident in Canada,
  - (b) count securities beneficially owned by residents of Canada as reported on reports of beneficial ownership, including insider reports and early warning reports, and
  - (c) assume that a customer is a resident of the jurisdiction or foreign jurisdiction in which the nominee has its principal place of business if, after reasonable inquiry, information regarding the jurisdiction or foreign jurisdiction of residence of the customer is unavailable.

This method of calculation differs from that of NI 71-101 which only requires a calculation based on the address of record. Some SEC foreign issuers may therefore qualify for exemptive relief under NI 71-101 but not under this Instrument.

- 1.4 Exemptions Evidenced by the Issuance of a Receipt** – Section 9.2 of the Instrument states that an exemption from any of the requirements of the Instrument pertaining to financial statements or auditor's reports included in a prospectus may be evidenced by the issuance of a receipt for that prospectus. Issuers should not assume that the

relief evidenced by the receipt will also apply to financial statements or auditors' reports filed in satisfaction of continuous disclosure obligations or included in any other filing.

- 1.5 Filed or Delivered** – Financial statements that are filed in a jurisdiction will be made available for public inspection in that jurisdiction, subject to the provisions of securities legislation in the local jurisdiction regarding confidentiality of filed material. Material that is delivered to a regulator, but not filed, is not required under securities legislation to be made available for public inspection. However, the regulator may choose to make such material available for inspection by the public.
- 1.6 Other Legal Requirements** – Issuers and auditors should refer to National Instrument 52-108 *Auditor Oversight* for requirements relating to auditor oversight by the Canadian Public Accountability Board. In addition, issuers and registrants are reminded that they and their auditors may be subject to requirements under the laws and professional standards of a jurisdiction that address matters similar to those addressed by the Instrument, and which may impose additional or more onerous requirements. For example, applicable corporate law may prescribe the GAAP or GAAS required for financial statements. Similarly, applicable federal, provincial or state law may impose licensing requirements on an auditor practising public accounting in certain jurisdictions.

## **PART TWO ACCEPTABLE ACCOUNTING PRINCIPLES**

- 2.1 Acceptable Accounting Principles for Foreign Issuers** – Appendix A contains a chart outlining the accounting principles permitted for annual and interim financial statements of foreign issuers.
- 2.2 Canadian GAAP Applicable to Public Enterprises** - National Instrument 14-101 *Definitions* defines Canadian GAAP as generally accepted accounting principles determined with reference to the Handbook. The Handbook has differing requirements for public enterprises and non-publicly accountable enterprises. The Instrument generally requires issuers and registrants to use Canadian GAAP applicable to public enterprises. The following are some of the significant differences in the provisions of Canadian GAAP applicable to public enterprises compared to those applicable to non-publicly accountable enterprises:
- (a) financial statements for public enterprises cannot be prepared using the differential reporting options as set out in the Handbook;
  - (b) transition provisions applicable to enterprises other than public enterprises are not available; and
  - (c) financial statements must include any additional disclosure requirements applicable to public enterprises.
- 2.3 GAAP Reconciliations** – The Instrument specifies that where a reconciliation to Canadian GAAP applicable to public enterprises or a reconciliation to the issuer's GAAP is required, the reconciliation must quantify the effect of material differences between that GAAP and the accounting principles used that relate to recognition, measurement and presentation in the subject financial statements.

While the differences affecting net income must be presented in a tabular format, differences relating to other aspects of the financial statements may be presented in either a tabular reconciliation or some other form of reconciliation.

## **2.4 Financial Statements After an SEC Issuer Changes From Canadian GAAP to U.S. GAAP –**

- (1) An SEC issuer may change from Canadian GAAP to U.S. GAAP any time during a year. If, after filing financial statements prepared in accordance Canadian GAAP for one or more interim periods during a year, the issuer decides to adopt U.S. GAAP, the issuer may be required to restate and re-file the interim financial statements for the current year previously filed. An SEC issuer that changes from Canadian GAAP to U.S. GAAP during a year should consult National Instrument 51-102 to determine which financial statements should be restated and re-filed in satisfaction of its continuous disclosure obligations. Similarly, issuers planning to file a prospectus should refer to the prospectus instrument under which the prospectus will be prepared and filed to determine the financial statements that it may be required to restate and re-file.
- (2) Appendix B includes examples of formats for presenting comparative financial information required by paragraph 4.1(1)(b) of the Instrument for both annual and interim financial statements after an SEC issuer changes from Canadian GAAP to U.S. GAAP.

## 2.5 Acquisition Statements

The Instrument provides that issuers may file acquisition statements prepared in accordance with Canadian GAAP as applicable to public enterprises. This means that the financial statements of a private enterprise may need to be modified to adjust for the items discussed in section 2.2 of this policy.

Subsection 6.1(4) of the Instrument requires acquisition statements to be reconciled to the issuer's GAAP. In addition, if an issuer is required to reconcile its financial statements to Canadian GAAP, subsection 6.1(5) of the Instrument requires acquisition financial statements either be prepared in accordance with, or reconciled to, Canadian GAAP applicable to public enterprises. If an SEC issuer has prepared and filed both Canadian GAAP and U.S. GAAP financial statements for its most recently completed interim and annual period, and the issuer can provide acquisition statements prepared in accordance with U.S. GAAP, the issuer may apply for an exemption from the requirement to file acquisition statements prepared in accordance with, or reconciled to, Canadian GAAP applicable to public enterprises. An issuer granted this relief would be required to prepare the pro forma financial statements based on the issuer's U.S. GAAP financial statements and the U.S. GAAP acquisition statements and include a reconciliation of the pro forma financial statements to Canadian GAAP. If the issuer is granted this relief in the context of a prospectus, the issuer's U.S. GAAP financial statements must be included in the prospectus.

## 2.6 Acceptable Accounting Principles for Financial Information

If an issuer or registrant is required to file other financial information, such as selected financial data or a statement of capital calculations, staff expects that information to be prepared on a basis that is consistent with the principles applied in the financial statements.

### PART THREE ACCEPTABLE ACCOUNTING PRINCIPLES AND AUDITING STANDARDS

**3.1 Acceptable Accounting Principles** – Subsection 3.1(3) of the Instrument requires that the notes to the financial statements identify the accounting principles used to prepare the financial statements. We believe that disclosing financial information to the marketplace in a news release without disclosing the accounting principles used to prepare the financial information is inconsistent with this requirement.

**3.2 Accounting Principles that Cover Substantially the Same Core Subject Matter as Canadian GAAP** - Paragraphs 5.1(e) and 8.1(d) of the Instrument indicate that foreign issuers may prepare their financial statements using accounting principles that cover substantially the same core subject matter as Canadian GAAP. We believe U.S. GAAP meets this criteria. The accounting principles of other jurisdictions may also meet this criteria if the principles are based on a fundamental conceptual framework and the jurisdiction has an established methodology for ensuring that the principles are updated regularly to keep pace with international developments in accounting.

In evaluating a jurisdiction's accounting principles, the issuer or registrant should consider whether, at a minimum, the core standards as identified by the International Organization of Securities Commissions at its May 2000 conference are addressed. These core standards include: presentation of financial statements; inventories; depreciation accounting; cash flow statements; net profit or loss for the period, fundamental errors and changes in accounting policies; events after the balance sheet date; construction contracts; income taxes; segment reporting; property, plant and equipment; leases; revenue; accounting for government grants and disclosure of government assistance; the effects of changes in foreign exchange rates; business combinations; borrowing costs; related party disclosures; consolidated financial statements and accounting for investments in subsidiaries; accounting for investments in associates; financial reporting in hyperinflationary economies, financial reporting of interests in joint ventures; financial instruments: disclosure and presentation; earnings per share; interim financial reporting; discontinuing operations; impairment of assets; provisions, contingent liabilities and contingent assets; intangible assets; and financial instruments: recognition and measurement. We may request the issuer or registrant provide a rationale for asserting that the accounting principles of the jurisdiction cover substantially the same core subject matter as Canadian GAAP.

**3.3 Summary of Acceptable Auditing Standards** – Appendix C contains a chart outlining the auditing standards permitted for the audit of financial statements of foreign issuers.

### PART FOUR AUDITORS AND THEIR REPORTS

**4.1 Auditor's Expertise** – The securities legislation in most jurisdictions prohibits a regulator or securities regulatory authority from issuing a receipt for a prospectus if it appears to the regulator or securities regulatory authority that a person or company who has prepared any part of the prospectus or is named as having prepared or certified a report used in connection with a prospectus is not acceptable.



**4.2 Canadian Auditors for Canadian GAAP and GAAS Financial Statements** – A Canadian auditor is a person or company that is authorized to sign an auditor's report by the laws, and that meets the professional standards, of a jurisdiction of Canada. We would normally expect issuers and registrants incorporated or organized under the laws of Canada or a jurisdiction of Canada, and any other issuer or registrant that is not a foreign issuer nor a foreign registrant, to engage a Canadian auditor to audit the issuer's or registrant's financial statements if those statements are prepared in accordance with Canadian GAAP and will be audited in accordance with Canadian GAAS unless a valid business reason exists to use a non-Canadian auditor. A valid business reason would include a situation where the principal operations of the company and the essential books and records required for the audit are located outside of Canada.

Non-Canadian auditors auditing financial statements in accordance with Canadian GAAS and prepared by the issuer or registrant in accordance with Canadian GAAP are expected to consult or involve an auditor familiar with Canadian GAAS and Canadian GAAP as applicable to public enterprises.

**4.3 Reservations in an Auditor's Report –**

- (1) The Instrument generally prohibits an auditor's report from containing a reservation, qualification of opinion, or other similar communication that would constitute a reservation under Canadian GAAS.
- (2) Part 9 of the Instrument permits the regulator or securities regulatory authority to grant exemptive relief from the Instrument, including the requirement that an auditor's report not contain a reservation, qualification of opinion or other similar communication that would constitute a reservation under Canadian GAAS. However, we believe that such exemptive relief should not be granted if the reservation, qualification of opinion or other similar communication is
  - (a) due to a departure from accounting principles permitted by the Instrument, or
  - (b) due to a limitation in the scope of the auditor's examination that
    - (i) results in the auditor being unable to form an opinion on the financial statements as a whole,
    - (ii) is imposed or could reasonably be eliminated by management, or
    - (iii) could reasonably be expected to be recurring.

**4.4 Auditors' Knowledge of an Issuer's Accounting Principles and Auditing Standards** – A foreign issuer or foreign registrant may have its financial statements prepared and audited in accordance with accounting principles and auditing standards, respectively, that do not correspond to the home jurisdiction of its auditor. In these situations, we may request, during a review of the issuer's prospectus, continuous disclosure records or other filings, or a registrant's filings, a letter from the foreign auditor describing its expertise in the accounting principles used to prepare the issuer's or registrant's financial statements and the auditing standards applied. A similar request may be made if the issuer or registrant has reconciled its financial statements to a set of accounting principles that are different from those of the auditor's home jurisdiction.

**APPENDIX A**  
**Accounting Principles Permitted for Annual and Interim Financial Statements**  
**of Foreign Issuers<sup>1</sup>**

Accounting Principles:	Foreign Issuers <sup>2</sup>		
	SEC Foreign Issuers <sup>2,3</sup>	Designated Foreign Issuers <sup>2,3</sup>	Other Foreign Issuers <sup>3</sup>
Canadian GAAP	✓ s. 3.1(1)	✓ s. 3.1(1)	✓ s. 3.1(1)
U.S. GAAP	✓ No reconciliation required s. 5.1(a)	✓ Reconciliation to Canadian GAAP may be required <sup>4</sup> s. 5.1(d) or 5.1(e)	✓ Reconciliation to Canadian GAAP required s. 5.1(e)
International Financial Reporting Standards	✓ No reconciliation required s. 5.1(b)	✓ No reconciliation required s. 5.1(b)	✓ No reconciliation required s. 5.1(b)
Foreign accounting principles used in an SEC filing	✓ Only if ≤ 10% Canadian shareholders  Reconciliation to U.S. GAAP required for annual financial statements s. 5.1(c)		
Accounting principles accepted in the Designated Foreign Jurisdiction		✓ No reconciliation required s. 5.1(d)	
Accounting principles that cover substantially the same core subject matter as Canadian GAAP	✓ Reconciliation to Canadian GAAP required s. 5.1(e)	✓ Reconciliation to Canadian GAAP required s. 5.1(e)	✓ Reconciliation to Canadian GAAP required s. 5.1(e)

**Notes**

- 1 This chart should be read in conjunction with National Instruments 52-107, 51-102 and 71-102 and Companion Policy 71-102CP. The chart does not relate to financial statements other than those of reporting issuers.
- 2 These terms are defined in the Instrument.
- 3 The corresponding section references in the Instrument appear in the bottom right-hand corner of each cell.
- 4 A Canadian GAAP reconciliation would not be required if the designated foreign jurisdiction accepts financial statements prepared in accordance with U.S. GAAP.

**Appendix B – Presentation of Comparatives after an SEC Issuer Changes from Canadian GAAP to U.S. GAAP**

The following are examples of formats for presenting comparative financial information required by paragraph 4.1(1)(b) of the Instrument for both annual and interim financial statements after an SEC issuer changes from using Canadian GAAP to U.S. GAAP. The examples do not address the reconciliation requirements in paragraph 4.1(1)(a).

**1. Annual Financial Statements**

**Option 1 – All comparatives presented on the face of the financial statements**

**(a) Balance Sheet, Statements of Income and Cash Flow**

<u>Most Recent Year</u> (U.S. GAAP)	Prior Year Comparative <u>Restated</u> (U.S. GAAP)	Prior Year Comparative as <u>Previously Reported</u> (Canadian GAAP)
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Financial statement line items

**(b) Notes to the Annual Financial Statements**

- explanation of material differences between Canadian GAAP and U.S. GAAP relating to recognition, measurement and presentation
- quantification of the differences relating to recognition, measurement and presentation

**Option 2 – Comparative figures as previously reported in Canadian GAAP presented in a note to the annual financial statements**

**(a) Balance Sheet, Statements of Income and Cash Flow**

<u>Most Recent Year</u> (U.S. GAAP)	Prior Year Comparative <u>Restated</u> (U.S. GAAP)
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Financial statement line items

**(b) Notes to the Annual Financial Statements**

**(i) Balance Sheet, Statements of Income and Cash Flow**

Prior Year Comparative as  
Previously Reported  
(Canadian GAAP)

Financial statement line items

**(ii) Supporting Reconciliation Information**

- explanation of material differences between Canadian GAAP and U.S. GAAP relating to recognition, measurement and presentation, for the prior year comparatives
- quantification of the differences relating to recognition, measurement and presentation

**2. Interim Financial Statements**

**Option 1 – All comparative figures presented on the face of the interim financial statements**

**(a) Balance Sheet**

<u>Most Recent Interim Period</u> (U.S. GAAP)	Prior Year Comparative <u>Restated</u> (U.S. GAAP)	Prior Year Comparative as <u>Previously Reported</u> (Canadian GAAP)
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Financial statement line items

**(b) Statements of Income and Cash Flow**

Most Recent Interim Period (3 months) (U.S. GAAP)	Comparative Interim Period (3 months) <u>Restated</u> (U.S. GAAP)	Comparative Interim Period (3 months) as Previously Reported (Canadian GAAP)	Most Recent Year-to-Date Interim Period (U.S. GAAP)	Comparative Year-to-Date Interim Period <u>Restated</u> (U.S. GAAP)	Comparative Year-to-Date Interim Period as Previously Reported (Canadian GAAP)
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Financial statement line items

**(c) Notes to the Interim Financial Statements**

- explanation of material differences between Canadian GAAP and U.S. GAAP for the comparative interim periods (most recent three months and year-to-date) relating to recognition, measurement and presentation, for the prior period comparatives
- quantification of the differences relating to recognition, measurement and presentation

**Option 2 - Comparative figures as previously reported in Canadian GAAP presented in a note to the interim financial statements**

**(a) Balance Sheet**

<u>Most Recent Interim Period</u> (U.S. GAAP)	Prior Year Comparative <u>Restated</u> (U.S. GAAP)
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Financial statement line items

**(b) Statements of Income and Cash Flow**

Most Recent Interim Period (3 months) (U.S. GAAP)	Comparative Interim Period (3 months) <u>Restated</u> (U.S. GAAP)	Most Recent Year-to-Date Interim Period (U.S. GAAP)	Comparative Year-to-Date Interim Period <u>Restated</u> (U.S. GAAP)
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Financial statement line items

**(c) Notes to the Interim Financial Statements**

**(i) Balance Sheet Comparatives**

Prior Year Comparative as  
Previously Reported  
(Canadian GAAP)

Financial statement line items

**(ii) Statements of Income and Cash Flow Comparatives**

Comparative Interim Period (3 months) as <u>Previously Reported</u> (Canadian GAAP)	Comparative Year-to-Date Interim Period as <u>Previously Reported</u> (Canadian GAAP)
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Financial statement line items

(iii) **Supporting Reconciliation Information**

- explanation of material differences between Canadian GAAP and U.S. GAAP for the comparative interim periods (most recent three months and year-to-date)
- quantification of the differences relating to recognition, measurement and presentation

**Option 3 - Comparative figures as previously reported in Canadian GAAP presented in a note to the interim financial statements and integrated with reconciliation information**

(a) **Balance Sheet**

<u>Most Recent Interim Period</u> (U.S. GAAP)	Prior Year Comparative <u>Restated</u> (U.S. GAAP)
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Financial statement line items

(b) **Statements of Income and Cash Flow**

<u>Most Recent Interim Period (3 months)</u> (U.S. GAAP)	Comparative Interim Period <u>(3 months) Restated</u> (U.S. GAAP)	Most Recent Year-to-Date Interim Period (U.S. GAAP)	Comparative Year-to-Date Interim Period <u>Restated</u> (U.S. GAAP)
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Financial statement line items

(c) **Note to the Interim Financial Statements**

(i) **Balance Sheet Comparatives and Quantification of Differences**

Prior Year Comparatives as <u>Previously Reported</u> (Canadian GAAP)	Reconciling <u>Adjustments</u>	Prior Year Comparative <u>Restated</u> (U.S. GAAP)
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Financial statement line items

(ii) **Statements of Income and Cash Flow Comparatives and Quantification of Differences**

Comparative Interim Period (3 months) as <u>Previously Reported</u> (Canadian GAAP)	Reconciling <u>Adjustments</u>	Comparative Interim Period (3 months) <u>Restated</u> (U.S. GAAP)	Comparative Year-to-Date Interim Period as <u>Previously Reported</u> (Canadian GAAP)	Reconciling <u>Adjustments</u>	Comparative Year-to-Date Interim Period <u>Restated</u> (U.S. GAAP)
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Financial statement line items

(iii) **Supporting Reconciliation Information**

- explanation of material differences between Canadian GAAP and U.S. GAAP relating to recognition, measurement and presentation which are quantified in the "Reconciling Adjustments" columns above.

**APPENDIX C**  
**Auditing Standards Permitted for the Audit of Financial Statements of Foreign Issuers<sup>1</sup>**

Auditing Standards:	Foreign Issuers <sup>2</sup>		
	SEC Foreign Issuers <sup>2,3</sup>	Designated Foreign Issuers <sup>2,3</sup>	Other Foreign Issuers <sup>3</sup>
Canadian GAAS	✓ s. 3.2	✓ s. 3.2	✓ s. 3.2
U.S. GAAS	✓ s. 5.2(a)	✓ s. 5.2(a)	✓ s. 5.2(a)
International Standards on Auditing	✓ <sup>4</sup> s. 5.2(b)	✓ <sup>4</sup> s. 5.2(b)	✓ <sup>4</sup> s. 5.2(b)
Auditing Standards Accepted in the Designated Foreign Jurisdiction <sup>5</sup>		✓ s. 5.2(c)	

**Notes**

- 1 This chart should be read in conjunction with National Instruments 52-107, 51-102 and 71-102 and Companion Policy 71-102CP. The chart does not relate to financial statements other than those of reporting issuers.
- 2 These terms are defined in the Instrument.
- 3 The corresponding section references in the Instrument appear in the bottom right-hand corner of each cell.
- 4 The audit report must be accompanied by a statement disclosing any material differences in the form and content of the audit report compared to a Canadian GAAS audit report.
- 5 The auditing standards must meet the foreign disclosure requirements of the designated foreign jurisdiction to which the issuer is subject.