

Canadian Securities Administrators' Staff Notice 41-306

IFRS Transition – Prospectus Issues

September 29, 2011

Introduction

This notice responds to inquiries about financial information to be included in a prospectus during the time of an issuer's transition to IFRS.

Presentation of IFRS transition information in prospectuses

When an issuer files a prospectus at a time when the second or third quarter interim financial report is required to be included, requirements for the inclusion of certain IFRS transition information differ between a prospectus for an initial public offering (IPO), and a short form prospectus or a non-IPO long form prospectus.

IPO prospectuses

If the prospectus is for an IPO, section 32.3(4) of Form 41-101F1 *Information Required in a Prospectus* requires the prospectus to include:

- (1) the opening statement of financial position at the date of transition to IFRS; and
- (2) IFRS 1 reconciliations for the date of transition and the most recent annual period.

(For ease of reference, items (1) and (2) together will be called "the Q1 IFRS Transition Information" in this notice.)

Using a calendar year-end company as an example, the IPO prospectus would include the January 1, 2010 statement of financial position, and IFRS 1 reconciliations of equity for January 1, 2010 and December 31, 2010 and total comprehensive income for the year ended December 31, 2010, in addition to the reconciliations required by IFRS that must be included in an interim report during an issuer's year of transition to IFRS.

To meet the requirements for an interim period, there are two options (as set out below). For purposes of this illustration assume the Q3 interim financial report is required to be included in the prospectus.

Option 1

Q3 Statement of Financial Position
 Q3 Statement of Comprehensive Income
 Q3 Statement of Changes in Equity
 Q3 Statement of Cash Flows
 IFRS 1 Reconciliations (relating to comparative Q3 interim period if previously presented)

Option 2

Q3 Statement of Financial Position
 Q3 Statement of Comprehensive Income
 Q3 Statement of Changes in Equity
 Q3 Statement of Cash Flows
 IFRS 1 Reconciliations (relating to comparative Q3 interim period if previously presented)

PLUS

OR

PLUS

The Q1 IFRS Transition Information
 (To be included within the Q3 Interim financial report, as opposed to being included as additional financial information elsewhere in the prospectus)

Entire First IFRS Interim Financial Report (Q1)

Short form prospectus or non-IPO long form prospectus

The requirement to include the Q1 IFRS Transition Information in a prospectus that includes the second or third quarter interim financial report only applies to an IPO prospectus. So there is no requirement for a short form, or non-IPO long form, prospectus to include or incorporate by reference such information.

Auditor involvement

The requirement for an auditor review of financial statements included in a prospectus remains unchanged. Any interim financial report(s) included or incorporated by reference in a prospectus is required to be subject to an auditor review.

Accounting principles for financial statements in prospectuses filed in the year of transition

We have received some inquiries about the acceptability of including in a prospectus an interim financial report prepared using IFRS and annual financial statements prepared using old Canadian GAAP (Part V of the Handbook). To illustrate, assume a company with a calendar year-end that uses old Canadian GAAP (Part V of the Handbook) prior to January 1, 2011 files an IPO prospectus on November 20, 2011. Under the prospectus rules, the company would have to include in the prospectus: annual financial statements for the three years ended December 31, 2008, 2009 and 2010, and an interim financial report for the third quarter ended September 30, 2011. As required by National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* (NI 52-107), the annual financial statements for the three years ended December 31, 2008, 2009 and 2010 would be prepared under old Canadian GAAP. The interim financial report for the third quarter ended September 30, 2011 (with comparative financial statements for Q3

2010) would be prepared in IFRS (see the previous section for the specific requirements for the IFRS interim financial report).

Q3 2011	2010	2009	2008
IFRS	CGAAP	CGAAP	CGAAP

Accounting principles for financial statements in IPO prospectuses filed in the first year after transition

Prospectus rules require that three years of financial statements be provided in IPO prospectuses. An issuer has three options for presenting these financial statements. The first option involves a date of transition to IFRS earlier than the mandatory date of transition that would otherwise apply. The second and third options, which are discussed in section 2.8 of the Companion Policy to NI 52-107, do not involve an earlier transition date.

Assume a calendar year end company files an IPO prospectus on April 12, 2012. The company would be required to include in the prospectus annual financial statements for the three years ended December 31, 2009, 2010 and 2011. The 2011 annual financial statements (with 2010 comparative information) are required to be prepared using IFRS, whereas the 2009 and 2010 annual financial statements are permitted to be prepared using old Canadian GAAP. There are three options the company can choose to present these financial statements:

Option 1¹	2011	2010	2009
	IFRS	IFRS	IFRS

Option 2²	2011	2010	+	2010	2009
	IFRS	IFRS		CGAAP	CGAAP

Option 3^{2,3}	2011	2010	+	2009	2008
	IFRS	IFRS		CGAAP	CGAAP

- 1 Note that if this option is chosen, the IFRS transition date would then be January 1, 2009, instead of the transition date of January 1, 2010 under options 2 and 3.
- 2 The reason for presenting the three years of statements in two separate sets under these two options is to address certain audit reporting requirements.
- 3 Note this option would require an additional year of information.

Questions

Please refer your questions to any of the following people:

Allan Lim
Manager, Corporate Finance
British Columbia Securities Commission
604-899-6780 or 1-800-373-6393 (toll free in Canada)
alim@bcsc.bc.ca

Manuele Albrino
Associate Chief Accountant
British Columbia Securities Commission
604-899-6641 or 1-800-373-6393 (toll free in Canada)
malbrino@bcsc.bc.ca

Cheryl McGillivray
Manager, Corporate Finance
Alberta Securities Commission
403-297-3307
cheryl.mcgillivray@asc.ca

Ian McIntosh
Deputy Director, Corporate Finance
Saskatchewan Financial Services Commission
306-787-5867
ian.mcintosh@gov.sk.ca

Bob Bouchard
Director, Corporate Finance
Manitoba Securities Commission
204-945-4905
bob.bouchard@gov.mb.ca

Kelly Gorman
Deputy Director, Corporate Finance
Ontario Securities Commission
416-593-8251
kgorman@osc.gov.on.ca

Heidi Franken
Senior Accountant, Corporate Finance
Ontario Securities Commission
416-593-8249
hfranken@osc.gov.on.ca

Charlmane Wong
Senior Accountant, Corporate Finance
Ontario Securities Commission
416-593-8151
cwong@osc.gov.on.ca

Kelly Mireault
Accountant, Corporate Finance
Ontario Securities Commission
416-595-8774
kmireault@osc.gov.on.ca

Raymond Ho
Accountant, Corporate Finance
Ontario Securities Commission
416-593-8106
rho@osc.gov.on.ca

Louis Auger
Analyst, Corporate Finance
Autorité des marchés financiers
514-395-0337, ext. 4383
louis.auger@lautorite.qc.ca

Gabriel Araish
Analyst, Corporate Finance
Autorité des marchés financiers
514-395-0337, ext. 4414
gabriel.araish@lautorite.qc.ca

Pierre Thibodeau
Senior Securities Analyst
New Brunswick Securities Commission
506-643-7751
pierre.thibodeau@nbsc-cvmnb.ca

Kevin Redden
Director, Corporate Finance
Nova Scotia Securities Commission
902-424-5343
reddenkg@gov.ns.ca