

**CANADIAN SECURITIES ADMINISTRATORS  
STAFF NOTICE 42-301 and 52-302  
Dual Reporting of Financial Information**

**GENERAL PURPOSE**

The purpose of this notice is to provide guidance to issuers on staff's expectations when a reporting issuer incorporated or organized in Canada (a "Canadian Reporting Issuer") distributes financial information prepared in accordance with accounting principles other than those generally accepted in Canada ("foreign GAAP"). This is an evolving area of reporting where guidance from CSA/ACVM staff has been requested by issuers and advisors. Staff will continue to monitor developments and may issue additional guidance.

**BACKGROUND**

Canadian Reporting Issuers are required by Canadian securities legislation to file and deliver financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). In addition, an auditor's report accompanying annual financial statements must be prepared in accordance with Canadian generally accepted auditing standards ("GAAS"). Quebec securities legislation goes a step further and also requires that Canadian Reporting Issuers must prepare and distribute annual reports containing financial statements prepared in accordance with Canadian GAAP, accompanied by an auditor's report prepared in accordance with Canadian GAAS.

Staff have noted an increase in the number of Canadian Reporting Issuers that are disclosing financial information prepared in accordance with United States GAAP in certain continuous disclosure and offering documents. In annual reports, interim reports and press releases, some reporting issuers have presented US GAAP financial information, either separate from, or along with, Canadian GAAP financial information. In some cases press releases and/or management's discussion and analysis ("MD&A") report only US GAAP results. Staff have also noted the presentation of US GAAP financial information, in addition to the required Canadian GAAP financial information, in offering documents.

Staff are concerned that the presentation of foreign GAAP financial information could confuse or mislead readers who expect to see Canadian GAAP information reported by a Canadian Reporting Issuer unless steps are taken by Canadian Reporting Issuers to clearly distinguish the Canadian and foreign GAAP information.

Staff are particularly concerned about confusion that could be caused if press releases issued by Canadian Reporting Issuers do not clearly indicate when the financial information presented or referred to is prepared in accordance with foreign GAAP. Press releases are an important source of information to the public.

**STAFF'S EXPECTATIONS**

Staff expect that, whenever a Canadian Reporting Issuer presents foreign GAAP financial information in continuous disclosure and offering documents:

- it will clearly identify on each page which set of GAAP is being used and, to the extent that more than one GAAP basis is used on a page, it will indicate, for each line item or section, which basis is being used;
- when Canadian and foreign GAAP financial statements are presented in the same document each set of statements will be presented separately and the GAAP basis will be clearly identified on each page;
- any accompanying text will clearly state the GAAP basis of the financial information to which it relates and will be presented next to that financial information. For example, the MD&A accompanying each set of financial statements will clearly identify the set of financial statements to which it relates; and
- any other financial information will be grouped according to its GAAP basis and the GAAP basis will be clearly identified on each page.

In addition, to the extent that foreign GAAP information is presented, a reconciliation between the Canadian GAAP and foreign GAAP financial statements is encouraged to explain the differences between the two sets of financial statements. If MD&A is presented with the interim foreign GAAP financial statements, then a discussion of the differences between the Canadian and foreign GAAP financial statements is encouraged.

When there is an auditor's report on the foreign GAAP financial statements, staff expect the report to specify the set of GAAP which was used in preparing the financial statements and the GAAS which was followed by the auditor in auditing the financial statements. If the auditor's report on the Canadian GAAP financial statements is included in the same document, then it should state the use of Canadian GAAP and GAAS.

**CVMQ ANNUAL REPORT REQUIREMENT**

Commission des valeurs mobilières du Québec (CVMQ) staff remind Canadian Reporting Issuers that are reporting issuers in Quebec that annual reports must contain financial statements prepared in accordance with Canadian GAAP, an auditor's report prepared using Canadian GAAS and MD&A based on the Canadian GAAP financial statements.

For more information, contact:

Diane Joly, Director of Research and Market Development  
Commission des valeurs mobilières du Québec  
Phone: (514) 940-2199 Ext. 4551  
Fax: (514) 864-6381

Heidi Franken, Manager, Continuous Disclosure  
Ontario Securities Commission  
Phone: (416) 593-8249  
Fax: (416) 593-8252

Henry Lawrie, Chief Accountant  
Alberta Securities Commission  
Phone: (403) 297-7252  
Fax: (403) 297-2082

Cameron McInnis, Associate Chief Accountant  
British Columbia Securities Commission  
Phone: (604) 899-6767  
Fax: (604) 899-6760

February 11, 2000