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### GLOSSARY OF TERMS

WHITE PAPER ON FUNDS FROM OPERATIONS AND ADJUSTED FUNDS  
FROM OPERATIONS (FFO AND AFFO)

WHITE PAPER ON ADJUSTED CASH FLOW FROM OPERATIONS  
(ACFO)

WHITE PAPER ON APPLYING THE ACQUISITION METHOD FOR A  
BUSINESS COMBINATION



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**100. INTRODUCTION**

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**101. REAL PROPERTY ASSOCIATION OF CANADA**

**101.1.** The Canadian Institute of Public Real Estate Companies (CIPREC) was established in 1970 to represent the unique position of publicly-owned real estate investment and development companies. Since its inception, the Association has undergone two name changes. In 1999, the Association changed its name to the Canadian Institute of Public and Private Real Estate Companies (CIPPREC) to reflect its wider member base. On March 31, 2005, the Association changed its name from CIPPREC to the Real Property Association of Canada (REALPAC) to reflect the new vision of its members.

**101.2.** REALPAC continues to be Canada's premier industry association for investment real property leaders. The Association's mission is to bring together the country's investment real property leaders to collectively influence public policy, to educate government and the public, and to ensure stable and beneficial real estate capital and property markets in Canada.

**101.3.** REALPAC members currently own real estate assets located in the major centres across Canada and include real estate investment trusts, publicly traded and large private companies, banks, brokerages, crown corporations, investment dealers, life companies, lenders and pension funds. Assets include retail, office, industrial, hotel, multi-residential (apartments) and seniors housing.

**101.4.** REALPAC operates in several areas including advocacy, research, financial best practices, standard setting, publishing, conferences and networking events.

**101.5.** In regard to advocacy and the development of financial best practices involving global standards, that is, key projects undertaken by the International Accounting Standards Board and the Financial Accounting Standards Board (U.S.), REALPAC partners with other global real estate associations through its active participation in the Real Estate Equity Securitization Alliance (REESA). REESA's objective is to develop consensus views globally on accounting and financial reporting matters, as well as on the application of accounting standards. Current REESA members include:

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Asian Public Real Estate Association (APREA); Association of Real Estate Securitization (Japan) (ARES); British Property Federation (BPF); European Public Real Estate Association (EPRA); National Association of Real Estate Investment Trusts (NAREIT®); Property Council of Australia (PCA); and REALPAC.

### **102. THE ORIGINAL ACCOUNTING PRACTICES HANDBOOK**

**102.1.** In 1970, the Association recognized the need to improve financial reporting within the real estate investment and development industry. At that time, there were considerable variations in accounting practices from company to company for similar transactions. The Association supported Canadian Generally Accepted Accounting Principles (GAAP) as standards for financial reporting and also recognized that the Accounting Standards Boards of Canada (AcSB) was the sole standard setting body for accounting principles in Canada. The Association further acknowledged that the *CPA Canada Handbook* (previously the CICA Handbook) was the primary source for GAAP. However, since the AcSB had not issued rules for particular industries, a gap had developed in applying the AcSB rules to transactions within the real estate industry. The Association believed that the nature of the real estate industry was such that in certain areas, specialized accounting practices, consistent with GAAP, must be formulated and adopted together with a more meaningful disclosure of the practices used to enable investors and others to more fully understand the financial affairs of the companies involved. As a result, the Association published the first edition of its Handbook, *Recommended Accounting Practices for Real Estate Companies*.

**102.2.** Since 1970, the recommendations in the REALPAC Handbook have received widespread acceptance in the industry as evidenced by many companies disclosing in their financial statements that their accounting policies and standards of disclosure are substantially in accordance with such recommendations.

**102.3.** In January 2006, the AcSB announced its decision to require all publicly accountable enterprises (as defined by the AcSB) to report in accordance with International Financial Reporting Standards (IFRS) effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. In addition, in 2009, the AcSB announced that it approved Canadian financial reporting standards specifically for private

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enterprises (Accounting Standards for Private Enterprises (ASPE)), also for years beginning on or after January 1, 2011. Early adoption was available for both IFRS and ASPE. Further, private enterprises are permitted to apply IFRS in place of ASPE.

**102.4.** The significant changes to GAAP in Canada meant that the current edition of the REALPAC Handbook would no longer be relevant for both publicly accountable enterprises and private enterprises by 2011. It would be necessary to re-write the REALPAC Handbook into two separate editions, one that addressed guidance for enterprises reporting in accordance with IFRS and one that addressed guidance for enterprises reporting in accordance with ASPE.

**102.5.** In 2010, REALPAC released the first edition of the *REALPAC Handbook: Recommended Accounting Practices for Real Estate Investment and Development Entities Reporting in Accordance with IFRS*, referred to as the “REALPAC IFRS Handbook.”

**102.6.** The first amendment to the REALPAC IFRS Handbook addressed changes made to IFRS since 2010, including IFRS 10, IFRS 11, IFRS 12, IFRS 13 and IFRIC 21.

**102.7.** This second amendment to the REALPAC IFRS Handbook addresses the following new standards since the first amendment:

- IFRS 9 *Financial Instruments*, which is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted;
- IFRS 15 *Revenue from Contracts with Customers*, which is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted; and
- IFRS 16 *Leases*, which is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted (provided IFRS 15 has been or is applied at the same time as IFRS 16).

## **103. THE REALPAC IFRS HANDBOOK**

### **103.1. PREPARATION**

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**103.1.1.** The real estate industry is an increasingly complex one whose only common denominator is that the activities of all entities involved are associated in some way with land or buildings or both. It includes entities that buy and sell undeveloped land, entities that develop land for sale or for construction of their own buildings thereon, entities that construct buildings for sale or for retention as income-producing properties and entities that engage in a combination of some or all of these activities. Often these activities are carried out through joint ownership arrangements. To further complicate matters from an accounting viewpoint, the accounting may be different depending on the stage of development or depending on the nature of the activities carried on by a particular entity, that is, whether the related asset is held for inventory or investment purposes.

**103.1.2.** REALPAC acknowledges that the International Accounting Standards Board (IASB) is the organization responsible for issuing the accounting standards now to be used by publicly accountable enterprises in Canada. IFRS include International Financial Reporting Standards (IFRS) as issued by the IASB, International Accounting Standards (IASs) as issued by the IASB's predecessor, the Board of the International Accounting Standards Committee, and Interpretations developed by the International Financial Reporting Interpretations Committee (IFRIC) or its predecessor, the Standing Interpretations Committee (SIC). REALPAC believes that it has a responsibility to provide guidance to its members on the application of IFRS to enable members to both reflect the uniqueness of complex transactions and more consistently account for similar transactions. Accordingly, the REALPAC IFRS Handbook has been written to document what we believe is generally current acceptable practice in all regions reporting in accordance with IFRS for transactions that are occurring today.

**103.1.3.** The recommendations represent the views of REALPAC on the application of IFRS to the real estate investment and development industry. REALPAC believes that adherence to the recommendations will ensure compliance with IFRS, as issued by the IASB.

**103.1.4.** Codification of accounting principles from official standard setting authorities in the United States (U.S.) is generally greater than IFRS. There are differences in accounting practice for the real estate industry between U.S. GAAP and IFRS. The REALPAC IFRS Handbook has noted practice in the United States where differences from IFRS practice are thought to be significant; however, readers are cautioned that there may be other differences. U.S. GAAP

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references are stated by the FASB Accounting Standards Codification (ASC) topic and sub-topic reference (e.g. ASC ###-##).

**103.1.5.** REALPAC has attempted to eliminate the variations in accounting practices from entity to entity or region to region, and in most instances, has chosen one practice as being the most appropriate in the circumstances. Where two or more practices for the same transaction have gained widespread acceptance, REALPAC has attempted to state a preference for one practice but, in some areas, has noted that another practice may also be acceptable.

### **103.2.** APPLICATION

**103.2.1.** REALPAC has tried to make the REALPAC IFRS Handbook as inclusive as possible based on knowledge of the usual types of transactions and accounting issues being addressed at the time the material was prepared. Because of the unique nature of certain transactions and the ever-changing ways of undertaking real estate deals, the REALPAC IFRS Handbook cannot provide guidance in all situations. REALPAC recognizes that professional judgement forms the basis for the preparation of financial statements, which means that there may be more than one legitimate way of measuring events or presenting financial data in a particular case.

**103.2.2.** The IASB continues to make changes to IFRS. The REALPAC IFRS Handbook will be updated as quickly as possible to reflect any changes made to IFRS, however there may be a delay from the time the revised standards are issued and the time of publication of amendments to the REALPAC IFRS Handbook. Readers are cautioned to monitor on-going changes to IFRS to ensure they are aware of the most up to date standards. Updates can be found on the IASB website: <http://www.ifrs.org>.

**103.2.3.** REALPAC acknowledges the role of the IASB, and accordingly no recommendation is intended to override the requirements or recommendations of the IASB or IFRIC. Nor is any REALPAC recommendation intended to override the requirements of a governing statute.

**103.2.4.** Recommendations should not be considered to have retroactive effect, unless specified, although retroactive adjustments may be appropriate or desirable.

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**103.2.5.** Recommendations do not need to be applied to immaterial items.

### **103.3.** IDENTIFICATION OF RECOMMENDATIONS

**103.3.1.** All recommendations have been set in bold type in order to highlight them. In addition to recommendations, the material includes explanatory background material and suggestions as to other practices that REALPAC believes may be appropriate.

### **103.4.** IDENTIFICATION OF DEFINED TERMS

**103.4.1.** All defined terms have been set out in italics. The definitions can be found in the GLOSSARY OF TERMS section of the REALPAC IFRS Handbook.

### **103.5.** EFFECTIVE DATE

**103.5.1.** Recommendations are effective with respect to financial statements relating to years commencing on or after January 1, 2011, the mandatory date of adoption of IFRS for publicly accountable enterprises in Canada.

**103.5.2.** The recommendations of the REALPAC IFRS Handbook do not address the requirements of IFRS 1, applicable to first-time adopters of IFRS. IFRS 1 applies when an entity adopts IFRS for the first time by an explicit and unreserved statement of compliance with IFRS. In general, IFRS 1 requires an entity to comply with each IFRS effective at the end of its first IFRS reporting period. IFRS 1 grants limited exemptions from these requirements in specified areas where the cost of complying with them would be likely to exceed the benefits to users of financial statements. IFRS 1 also prohibits retrospective application of certain IFRSs in some areas; particularly where retrospective application would require judgements by management about past conditions after the outcome of a particular transaction is already known. Lastly, IFRS 1 requires disclosures that explain how the transition from previous GAAP to IFRS affected the entity's reported financial position, financial performance and cash flows.

### **103.6.** ADDITIONS AND REVISIONS

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**103.6.1.** As both the accounting and real estate environments change, REALPAC intends to update sections of the REALPAC IFRS Handbook to keep it current. Amendments will be issued periodically by REALPAC for insertion in the REALPAC IFRS Handbook and changes in existing recommendations will be reflected by the replacement of the relevant page or pages.

**103.6.2.** REALPAC will monitor the activities of the IASB and IFRIC on an ongoing basis. Any new or amended IFRS or IFRIC issued will be reviewed to determine if a revision or update is required to the REALPAC IFRS Handbook.

### **103.7.** FURTHER INFORMATION

**103.7.1.** Reference should be made to REALPAC for further information on any of the topics covered in this REALPAC IFRS Handbook.

**103.7.2.** Copies of the most recent annual financial statements of the publicly-traded members of REALPAC are available from the System of Electronic Document and Analysis and Retrieval (SEDAR) as guidance for disclosure matters.

### **103.8.** CONTENTS

**103.8.1.** The topics covered are listed in the TABLE OF CONTENTS and the INDEX.

