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Alberta Securities Commission
British Columbia Securities Commission
Manitoba Securities Commission
Saskatchewan Financial Services Commission – Securities Division
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
Superintendent of Securities, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland and Labrador
New Brunswick Securities Commission
Superintendent of Securities, Yukon Territory
Superintendent of Securities, Northwest Territory
Superintendent of Securities, Nunavut

John Stevenson, Secretary
Ontario Securities Commission
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Anne-Marie Beaudoin, Secrétaire
Autorité des marches financiers
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consultation-en-cours@lautorite.gc.ca

Dear Mesdames/Sirs:

Re: Notice and Request for Comments,

Proposed National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* and Companion Policy 52-107CP *Acceptable Accounting Principles and Auditing Standards*
- and -
Proposed amendments to National Instrument 14-101 *Definitions*

Grant Thornton LLP and Raymond Chabot Grant Thornton LLP appreciate the opportunity to respond to the above noted Request for Comments. Grant Thornton LLP and Raymond Chabot Grant Thornton LLP have many years of experience with a variety of clients.

Our responses to the specific questions in the Notice are below.

Responses to questions
We have responses to the specific questions raised with reference to paragraph 3.11of the Proposed National Instrument.

Question 1: Do you agree with the proposal of jurisdictions other than Ontario that acquisition statements should be permitted to be prepared in accordance with Canadian GAAP for private enterprises where the specified conditions are met in accordance with paragraph 3.11(1)(f)? Please give reasons for your response.

Question 2: Do you agree with Ontario's proposal that acquisition statements should be permitted to be prepared only in accordance with a set of accounting principles specified in paragraphs 3.11(1)(a) to (e)? Please give reasons for your response.

Question 3: Do you think that any other options would better balance the cost and time for issuers to provide acquisition statements and the needs of investors to make investment decisions? For example, one option identified by Ontario would be to permit acquisition statements to be prepared in accordance with Canadian GAAP applicable to private enterprises where they are accompanied by an audited reconciliation quantifying and explaining material differences from Canadian GAAP applicable to private enterprises to IFRS and providing material IFRS disclosures. Please give reasons for your response.

Our responses to the above questions follow below, we have not responded to each individually as we consider the issues to be addressed are too interrelated and also, in our opinion, there is a need to reconsider the relevance of the BAR to investors.

With regard to question 1, we acknowledge that this proposal offers the most timely filing ability and lowest cost of the options provided. However, on the assumption that the BAR provides valuable information to investors, it is presumed that full-IFRS provides the best information to investors in that context. Though the first option reduces the burden on issuers to restate previously issued results, we are not convinced that this outweighs the reduction in related benefit to the investor.

Apart from the added provisions to require consolidation and/or the equity method, there remain a number of significant differences between IFRS (and other permitted standards) and Canadian GAAP applicable to private enterprises. Adopting this proposal means that potentially material adjustments for items such as stock-based compensation, income taxes, employee benefits, etc., will not be addressed. In our opinion, this would reduce the decision making relevance of the financial statements included in the BAR to an unacceptably low level.

With regard to question 2, we concur with Ontario's position that would require full reconciliation. Our reasoning for this is set forth in the preceding paragraphs.

We do however; note that the true complexity with Ontario's proposal is the consideration of IFRS 1 where the issuer is using IFRS. The need to retroactively restate financial statements requires that consideration of IFRS 1 be made along with the extensive disclosures this would typically entail. We see this as particularly problematic where an issuer may be tasked with restating historical financial statements to IFRS where such history may bear little relevance to the future. Because the most recent period is likely most relevant and to lessen the burden on issuers, it may be prudent to only restate the most recently completed financial year and interim period (if applicable) for which financial statements are required to be presented. In this

instance the issuer would not be able to assert compliance with full IFRS however, for this limited purpose, this may be acceptable for Regulators.

Having considered both positions presented, we believe it is incumbent on the Regulators to revisit the relevance of the BAR with a view to understanding how investors use this information, before deciding on an option to go forward.

With reference to the BAR pro-forma in particular is the need to consider that it is most often the underlying fair value accounting for the business combination that dictates the impact of the acquisition on the financial statements of the issuer. Items of significance, including the recognition of identifiable intangibles and goodwill often have a material and enduring impact on the financial statements on a go-forward basis. We believe that, if it is to be prepared, the BAR should support the needs of the investor with respect to an understanding of the impact of the purchase price accounting, and that the pro-forma financial statement should incorporate the business combination adjustments using the issuer's GAAP. The Regulators could consider including specific requirements for the adjustments to be incorporated in pro-forma financial statements presented in a BAR (i.e. a prescribed basis of presentation). A further thought may be to eliminate the BAR and provide direction to issuers with respect to addressing the impact of the acquisition within subsequent MD&A.

With respect to question 3, we believe that Ontario's suggested alternative is appropriate though we have difficulty discerning how this differs materially from the preparation of a full set of IFRS financial statements. We note this particularly when the issuer will be "providing material IFRS disclosures" in addition to the quantitative reconciliation and given that the financial statements/reconciliation will be audited. Also, once reconciliation is required, consideration of IFRS 1 complexities and related disclosures become necessary. In the end, we see this alternative as essentially identical to requiring a full restatement, unless the intent is to have this apply only to the most recently completed year and interim period (if applicable). This option may be less onerous, and might be a feasible solution, if there were a restriction on the number of years requiring reconciliation. Furthermore, consideration should be given to foregoing the IFRS disclosure requirement with this solution. Given that the issuer's GAAP will be adopted by the acquiree and that accounting for the acquisition will have a material impact, it is likely that the "material IFRS disclosures" are less relevant to the investor with respect to historical financial statements presented.

In summary, we acknowledge the need to balance cost, complexity, timeliness and the needs of investors and agree that this issue requires careful and open consideration. That said, we also contend that investor interests are best served by full disclosure, with auditor assurance, rather than an approach which addresses some, but not all, of the potentially material considerations.

Regardless however, before proceeding, we recommend the Regulators consider a review of the BAR requirements on a holistic basis. It is appropriate to do so before imposing more onerous reconciliation requirements on issuers. The BAR being maintained, requirements for historical presentation / reconciliation in issuer's GAAP and specific direction for the preparation of the pro-forma financial statements to include both GAAP reconciliation adjustments and the effect of accounting for the purchase, should be considered within the requirements.

If you wish to discuss our comments, please contact Gilles Henley (henley.gilles@rcgt.com, 514-393-4809) or Jeremy Jagt (jjagt@grantthornton.ca, 416-360-2369).

Yours sincerely,
Grant Thornton LLP

Grant Thornton LLP

Jeremy Jagt, CA, CPA (Illinois)

Raymond Chabot Grant Thornton LLP

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