

OSC Corporate Finance – IFRS Release No. 4

IFRS TRANSITION – PROSPECTUS ISSUES

We continue to receive inquiries related to IFRS transition in prospectuses. This IFRS Release provides clarification on some of the frequently asked questions.

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 document.)

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 that would be required for any interim period that has to be included in the prospectus under securities rules.

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)

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.)

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

Entire First IFRS Interim Financial Report (Q1)

OR

OSC

Ontario Securities Commission
Corporate Finance Branch

August 18, 2011

(For OSC IFRS related publications, please visit the OSC website at www.osc.gov.on.ca/IFRS)



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.

GAAP for financial statements in prospectuses filed in the year of transition

We have received a number of inquiries on the generally accepted accounting principles (GAAP) required for financial statements to be included in prospectuses filed during the year of transition. 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 interim financial report for the third quarter ended September 30, 2011. The annual financial statements for the three years ended December 31, 2008, 2009 and 2010 would be prepared under old Canadian GAAP, and there is no requirement to convert these annual financial statements into IFRS. 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

GAAP 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. 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 1 ¹	2011	2010	2009	
	IFRS	IFRS	IFRS	
Option 2 ²	2011	2010		2010
	IFRS	IFRS		CGAAP
				2009
				CGAAP
Option 3 ^{2,3}	2011	2010		2009
	IFRS	IFRS		CGAAP
				2008
				CGAAP

1 Note that if this option is chosen, the IFRS transition date would then be January 1, 2009.

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

Questions may be referred to:

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