

2011 BCSECCOM 209

May 2, 2011

Headnote

Multilateral Instrument 11-102 *Passport System* and National Policy 11-203 *Process for Exemptive Relief Applications in Multiple Jurisdictions* – National Instrument 52-107, s. 5.1 *Acceptable Accounting Principles and Auditing Standards* - A reporting issuer wants to early adopt IFRS for purposes of preparing its financial statements - The issuer has assessed the readiness of its staff, board, audit committee, auditors and investors; the issuer will provide detailed disclosure regarding its early adoption of IFRS in its MD&A as set out in CSA Staff Notice 52-320; the issuer will restate any financial statements prepared in accordance with Canadian GAAP for interim periods for the fiscal year in which they intend to adopt IFRS together with related interim MD&A and certificates required by NI 52-109

Applicable British Columbia Provisions

National Instrument 52-107, s. 5.1 *Acceptable Accounting Principles and Auditing Standards*

In the Matter of
the Securities Legislation of
British Columbia
(the Jurisdiction)

and

In the Matter of
the Process for Exemptive Relief Applications in Multiple Jurisdictions

and

In the Matter of
CTF Technologies Inc.
(the Filer)

Decision

Background

- ¶ 1 The principal regulator in the Jurisdiction has received an application from the Filer for a decision under the securities legislation of the Jurisdiction of the

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principal regulatory (the Legislation) exempting the Filer from the requirement in Section 4.2 of National Instrument 52-107 – *Acceptable Accounting Principles and Auditing Standards* (NI 52-107) that financial statements be prepared in accordance with generally accepted accounting principles determined with reference to Part V of the Handbook applicable to public enterprises (the Exemption Sought), in order that the Filer may prepare its financial statements for the financial period ended December 31, 2010, in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IFRS-IASB).

Under the Process for Exemptive Relief Applications in Multiple Jurisdictions (for a passport application):

- (a) the British Columbia Securities Commission is the principal regulator for this application, and
- (b) the Filer has provided notice that section 4.7(1) of Multilateral Instrument 11-102 *Passport System* (MI 11-102) is intended to be relied upon in Alberta.

Interpretation

- ¶ 2 Terms defined in National Instrument 14-101 *Definitions* and MI 11-102 have the same meaning if used in this decision, unless otherwise defined.

Representations

- ¶ 3 This decision is based on the following facts represented by the Filer:
- 1. the Filer is a corporation incorporated under the laws of British Columbia; the head office of the Filer is located at 2000 - 1066 West Hastings Street, Vancouver, B.C. V6E 3X2;
 - 2. the Filer is a reporting issuer in British Columbia and Alberta and is not in default of its reporting issuer obligations under the legislation in any jurisdiction;
 - 3. the Filer's securities are not listed on any stock exchange;
 - 4. the business of the Filer, through its operating subsidiary, CTF Technologies do Brasil Ltda. (CTF Brazil), is providing management and logistics services to Brazilian trucking companies; mind and management and control of the Filer are based in Brazil and all of the Filer's operations are run through CTF Brazil;

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5. pursuant to regulatory requirements under Brazilian law, CTF Brazil is required to prepare and file financial statements on an annual basis under Brazilian accounting standards;
6. the Filer has prepared its financial statements in accordance with Canadian GAAP as determined with reference to Part V of the Handbook applicable to public enterprises (Canadian GAAP) since incorporation and has filed financial statements prepared in accordance with Canadian GAAP for interim periods in its financial year ended December 31, 2010;
7. beginning in 2010, listed companies in Brazil are required to publish their consolidated financial statements in accordance with IFRS-IASB and other Brazilian companies, including CTF Brazil, are required to prepare their financial statements and maintain their local accounting records using new Brazilian accounting standards that are similar to IFRS-IASB;
8. the Filer's auditor is KPMG Auditores Independentes, a Canadian Public Accountability Board member operating in Brazil, which acquired the Filer's former auditor, BDO Auditores Independentes, on March 31, 2011 pursuant to a public announcement made on March 23, 2011;
9. on March 28, 2011, the Filer's auditor advised the Filer that because of changes to Brazilian accounting standards it would not provide an audit report on financial statements of the Filer prepared in accordance with Canadian GAAP and was only willing to provide an audit report on financial statements of the Filer prepared in accordance with IFRS-IASB;
10. subsequent to March 28, 2011, the Filer had further discussions with its auditor regarding financial statements prepared in accordance with Canadian GAAP, but the Filer's auditor continued to take the position that it will only provide an audit report on financial statements of the Filer prepared in accordance with IFRS-IASB;
11. NI 52-107 sets out acceptable accounting principles for financial reporting under the Legislation by domestic issuers, foreign issuers, registrants and other market participants; under NI 52-107, for financial years beginning before January 1, 2011, a domestic issuer must use Canadian GAAP as determined with reference to Part V of the Handbook applicable to public enterprises, with the exception that an SEC registrant may use US GAAP; under Part 4 of NI 52-107, for financial years beginning before January 1, 2011, only foreign issuers may use IFRS-IASB;

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12. in CSA Staff Notice 52-321 – *Early Adoption of International Financial Reporting Standards, Use of US GAAP and Reference to IFRS-IASB* and CSA Staff Notice 52-324 – *Issues relating to changeover to International Financial Reporting Standards*, staff of the Canadian Securities Administrators recognized that some issuers may wish to prepare their financial statements in accordance with IFRS-IASB for periods beginning prior to January 1, 2011 and indicated that staff were prepared to recommend exemptive relief on a case by case basis to permit a domestic issuer to do so, despite section 4.2 of NI 52-107;
13. as a result of its auditor's refusal to provide an audit report on financial statements prepared in accordance with Canadian GAAP, the Filer determined that it was necessary to seek the Exemption Sought;
14. the new Brazilian accounting standards are substantially the same as IFRS-IASB, with minor variations, and therefore preparing the Filer's financial statements in accordance with IFRS-IASB is more time and cost efficient for the Filer since the CTF Brazil financial statements are already prepared under the new Brazilian accounting standards;
15. the Filer believes the adoption of IFRS-IASB will provide users of its financial statements with better disclosure, which will enhance their understanding of the Filer's results from operations and its financial position, and will eliminate complexity and costs from the Filer's financial statement preparation process;
16. the Filer has evaluated its overall readiness to transition to IFRS-IASB, including the readiness of its staff, Board of Directors, Audit Committee, auditor, investors and market participants, and has concluded that it is adequately prepared for adoption of IFRS-IASB for the year ended December 31, 2010;
17. the Filer has considered the implications of adopting IFRS-IASB on its obligations under securities legislation including, but not limited to, those relating to CEO and CFO certifications, business acquisition reports, offering documents, and previously released material forward looking information and has concluded that if the Exemption Sought is granted it will continue to be able to fulfil these obligations;
18. the Filer has communicated its IFRS-IASB implementation plans to investors as contemplated by CSA Staff Notice 52-320 *Disclosure of Expected Changes in Accounting Policies Relating to Changeover to International Financial Reporting Standards* by disclosing relevant information about its changeover

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to IFRS-IASB in its interim MD&A for the year ended December 31, 2010; in particular, the Filer has discussed the following in its interim MD&A:

- (a) the key elements of its changeover plan,
 - (b) the significant areas where changes in accounting policies may have the highest potential impact on the Filer's financial statements, and
 - (c) major differences the Filer has identified between its current accounting policies and those expected to be applied under IFRS-IASB;
19. subject to obtaining the Exemption Sought, the Filer intends to adopt IFRS-IASB for its financial statements for periods beginning on and after January 1, 2010 with a transition date of January 1, 2009;
20. the Filer's public disclosure previously provided for a changeover date of January 1, 2011, and immediately upon issuance of this decision, the Filer will disseminate a news release providing relevant information about its conversion to IFRS-IASB for a changeover date of January 1, 2010; and
21. following issuance of this decision, the Filer will restate and re-file its financial statements and management's discussion and analysis for each of the interim periods in the year ended December 31, 2010, together with the certificates required by National Instrument 52-109 – *Certification of Disclosure in Issuer's Annual and Interim Filings*.

Decision

- ¶ 4 The principal regulator is satisfied that the decision meets the test set out in the Legislation for the principal regulator to make the decision.

The decision of the principal regulator under the Legislation is that the Exemption Sought is granted provided that:

- (a) the Filer prepares its annual financial statements for years beginning on or after January 1, 2010 in accordance with IFRS-IASB;
- (b) the Filer prepares its interim financial statements for interim periods beginning on or after January 1, 2010 in accordance with IFRS-IASB, except that if the Filer filed interim financial statements prepared in accordance with Canadian GAAP for one or more interim periods in the year in which the Filer adopts IFRS-IASB, the Filer will restate those interim financial statements in accordance with IFRS-IASB and re-file those interim financial statements together with the related restated interim

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management's discussion and analysis and the certificates required by National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*;

- (c) the Filer provides the communication set out in paragraph 20; and
- (d) the Filer's first IFRS-IASB financial statements for an interim period include an opening statement of financial position as at the date of transition to IFRS-IASB that is presented with prominence equal to the other statements that comprise those interim financial statements.

Martin Eady, CA
Director, Corporate Finance
British Columbia Securities Commission