

Headnote

Multilateral Instrument 11-102 Passport System and National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – National Instrument 52-107 Acceptable Accounting Principles and Auditing Standards, s. 3.3(1)(a) and 5.1 – An issuer wants relief from the requirement that financial statements required by securities legislation to be audited must be accompanied by an auditor's report that expresses an unmodified opinion - The auditor must issue an auditor's report that contains a qualified opinion relating to opening inventory because the auditor was appointed during the issuer's current financial year and was not able to observe the counting of physical inventories at any date prior to the third quarter of the issuer's current financial year; the qualification is not imposed by, and could not be reasonably eliminated by management; the qualification will not recur in future; the auditor's report will be unmodified except for the qualification related to opening inventory and, since inventory affects the calculation of cost of sales, the cost of sales and net loss

Applicable Legislative Provisions

National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency*, sections 3.3(1)(a) and 5.1

January 14, 2015

In the Matter of
the Securities Legislation of
British Columbia and Ontario
(the Jurisdictions)

and

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

and

In the Matter of
Bravura Ventures Corp. (the Filer),
Nutaq Innovation Inc. (the Target) and
1014372 B.C. Ltd. (Newco)

Decision

Background

- ¶ 1 The securities regulatory authority or regulator in each of the Jurisdictions (the Decision Maker) has received an application from the Filer for a decision under the securities legislation of the

Jurisdictions (the Legislation) that the requirement that financial statements required by the Legislation to be audited must be accompanied by an auditor's report that expresses an unmodified opinion does not apply to the auditor's reports that accompany the following financial statements that must be filed as a consequence of the proposed acquisition of Target:

- (a) the audited financial statements of the Target for the financial years ended October 31, 2013 and 2014 (the Modification Relief), and
- (b) the audited financial statements of Newco for the financial year ended October 31, 2015 (the Comparative Year Modification Relief).

(the Requested Relief).

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

- (a) the British Columbia Securities Commission is the principal regulator for this application;
- (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; and
- (c) the decision is the decision of the principal regulator and evidences the decision of the securities regulatory authority or regulator in Ontario.

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 was incorporated under the *Business Corporations Act* (British Columbia) on August 6, 2010;
2. Newco is a wholly owned subsidiary of the Filer;
3. the Target was incorporated on May 30, 2005 under the laws of Canada; the Target's principal business is providing advanced digital signal processing solutions and wireless technologies, including software defined radios; the Target operates three complementary lines of business: advanced development platforms, engineering services, and wireless network products; the Target's business is not seasonal;
4. the Filer is a "reporting issuer" within the meaning of applicable securities legislation in British Columbia, Ontario and Alberta; the Filer's common shares are listed on the TSX Venture Exchange (the TSX-V);

5. the Filer entered into an arrangement agreement with Newco dated as of October 14, 2014, which is expected to result in Newco's shares being exchanged with the shareholders of the Filer, and Newco becoming a reporting issuer in British Columbia and Alberta (the Arrangement);
6. following closing of the Arrangement, Newco will acquire all of the Target's issued and outstanding shares by way of a share exchange or such other business combination mutually acceptable to the parties (the Business Combination);
7. the Target is not a reporting issuer in any jurisdiction of Canada and the Target's common shares are not listed on any stock exchange or posted for trading on any quotation system;
8. the Filer and the Target are not in default of securities legislation in any jurisdiction in Canada;
9. the Filer's financial year end is January 31;
10. the financial year end for each of the Target and Newco is October 31;
11. completion of the Business Combination will be subject to, among other things, applicable regulatory approvals, approval by the Target's shareholders and negotiation of a definitive agreement between Target and Newco;
12. upon the completion of the Business Combination, the Target will become a subsidiary of Newco and Newco will continue to carry on its business through the Target; the Business Combination will be accounted for as a reverse acquisition; although for legal purposes Newco will be the acquirer, for accounting purposes the Target is the acquirer; accordingly, the consolidated financial statements of the resulting issuer will be those of the accounting acquirer, namely the Target; the fiscal year end will continue to be October 31;
13. completion of the Business Combination will trigger the requirements of section 4.10(2) of NI 51-102, that Newco file financial statements of the Target as required in the form of prospectus that the Target would have been eligible to use prior to the closing of the Business Combination;
14. the applicable form of prospectus for the Target is Form 41-101F1 *Information Required in a Prospectus*;
15. provided the Business Combination completes before the 90th day after the end of the Target's 2015 financial year, and following the requirements of Form 41-101F1 as they relate to a junior issuer, Newco must file the following financial statements of the Target:
 - (a) audited annual financial statements for the year ended October 31, 2014;
 - (b) audited annual financial statement for the year ended October 31, 2013;

- (c) unaudited financial statements for the year ended October 31, 2012, and
 - (d) unaudited interim financial statements statements for the most recently completed interim period beginning on or after November 1, 2014, if applicable;
18. the Target appointed a new auditor during its 2014 financial year; the auditor was not able to obtain sufficient audit evidence regarding inventory as at October 31, 2013; since opening and closing inventories enter into the determination of the results of operations and cash flows, the auditor was not able to determine whether adjustments to cost of sales, income taxes, net income and cash provided from operations for the Target for the year ended October 31, 2014 might have been necessary;
19. as a result, the auditor is expected to express a modified opinion on the Target's financial statements for each of the 2014 and 2013 financial years;
20. a modified opinion is contrary to subsection 3.3(1) of NI 52-107 *Acceptable Accounting Principles and Auditing Standards*;
21. paragraph 5.8(2) of the companion policy to NI 41-101 contemplates that relief may be granted to non-reporting issuers in appropriate circumstances to permit the auditor's report on financial statements to contain a modification relating to opening inventory if there is a subsequent audited period of at least six months on which the auditor's report expresses an unmodified opinion and the business is not seasonal; and
22. Newco proposes, upon completion of the Business Combination, to file the following financial statements (the Proposed Financial Statements):
- (a) any interim financial statements for periods ending subsequent to October 31, 2014 required by NI 41-101;
 - (b) audited financial statements of the Target for the nine month period ended October 31, 2014 accompanied by an unmodified audit opinion;
 - (c) audited financial statements with respect to the Target's financial year ended October 31, 2014 accompanied by an auditor's report that is qualified with respect to opening inventory, cost of sales and net income;
 - (d) audited financial statements with respect to the Target's financial year ended October 31, 2013 accompanied by an auditor's report that is qualified with respect to opening inventory, closing inventory, cost of sales and net income; and
 - (e) unaudited financial statements of the Target for the year ended October 31, 2012 and the preceding period commencing November 16, 2011.

Decision

- ¶ 4 Each of the Decision Makers is satisfied that the decision meets the test set out in the Legislation for the Decision Maker to make the decision.

The decision of the Decision Makers under the Legislation is that the Requested Relief is granted provided that Newco files the Proposed Financial Statements on or before 90 days after the Target's 2015 financial year-end.

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