

Managing the Impact of IFRS

On January 1st, 2011, Canada's Generally Accepted Accounting Principles (Canadian GAAP) will be replaced with International Financial Reporting Standards (IFRS). Even though the Canadian changeover to IFRS is scheduled for 2011, the scale of the transition means there are decisions to be made today. In order to provide accurate reporting, companies require figures from the prior year as a baseline, which means measuring or establishing the real estate asset value per IFRS will begin in 2010. Practically speaking, the timing to implement an IFRS transition strategy is now, with IFRS opening balance sheet figures required for the first quarter of 2010.

We at Bourgeois & Company Ltd. are prepared for IFRS, having recognized the need for competent and reliable valuations to make this transition as seamless and timely as possible.

IFRS in Canada will only impact publicly accountable enterprises and the immediate implications of the shift are clear. Under IFRS, real estate assets that appear on a company's balance sheet for financial reporting will no longer be recorded as a depreciating asset. The real estate assets will be recorded at "Fair Value" for every reporting period.

The concept of "Fair Value" as defined by IFRS refers to:

"An exit price, the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In the absence of an actual transaction at the measurement date, a fair value measurement assumes a hypothetical transaction in the most advantageous market for the asset or liability, considered from the perspective of a market participant."

This will involve baseline valuations and revaluations on a regular basis. Proponents assert that it paints a more accurate picture of the financial position of the company vis-à-vis the market value of the real estate held.

Independent valuations are also an important consideration in providing for greater transparency and comparability which are fundamental to IFRS. Bourgeois & Company Ltd. can help prudent financial managers alleviate concerns about conflicts of interest and value manipulation, which leads to greater investor and stakeholder confidence.

As companies develop their IFRS strategies, early engagement of valuation experts is critical to reaching compliance goals. By allowing Bourgeois & Company Ltd. take part in the IFRS transition plan, companies are providing the transparency and expertise that investors and corporate stakeholders are seeking.



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