

# Putting IFRS in motion\*

The impact of International Financial Reporting Standards (IFRS) on the Canadian real estate sector



A photograph of an empty office space. The ceiling is a grid of square panels, some of which are missing, revealing the underlying structure and pipes. The walls are white, and there are large windows along the back wall. The floor is a light-colored carpet. The overall lighting is bright and even.

# Introduction

More than 100 countries have adopted the use of International Financial Reporting Standards (IFRS) by public companies. The Canadian Accounting Standards Board (AcSB) will require publicly accountable enterprises to adopt IFRS as Canadian Generally Accepted Accounting Principles (GAAP) for interim and annual financial statements for fiscal years beginning on or after January 1, 2011 with early adoption to be permitted on a case by case basis by the securities regulators.

The move to IFRS will fundamentally change the way Canadian companies report their business results to analysts, investors and other stakeholders.

For some organizations, implementing IFRS will be quite a simple exercise, but for others it will be a highly complex process that goes well beyond the finance and accounting functions. Other business operations, such as human resources, investor relations, business development and information technology (IT) departments, will likely be involved in the IFRS conversion plan.

Our experience in assisting global companies that have already adopted IFRS shows that for some, full conversion and adoption can take anywhere from two to five years, depending on the complexity of the organization. Are you on track?

Certain industries have a long and complex conversion process because significant accounting policy changes are required. It is often extremely difficult to extract the historical information necessary to make these changes, and the accounting processes and systems have to be modified on a go forward basis.

One of the most significant challenges in converting from Canadian GAAP to IFRS is determining which Canadian GAAP differences will impact the organization. This publication outlines some of the significant accounting differences that arise between Canadian GAAP and IFRS in the real estate sector. The background and context behind the decision to adopt IFRS and the key strategic issues you will face in converting to IFRS are outlined in our publication, *Putting IFRS in motion – Are you on track?* To obtain a copy, contact a PricewaterhouseCoopers LLP (PwC) professional or visit [www.pwcifrs.ca](http://www.pwcifrs.ca).

Companies that have already implemented IFRS understand that the new standards may place a sizeable responsibility on management to be able to communicate effectively to the market in the new IFRS language.

# Accounting under IFRS

Canadian publicly accountable enterprises must use IFRS to prepare interim and annual financial statements for financial years beginning on or after January 1, 2011 with early adoption to be permitted on a case by case basis by the Canadian securities regulators. The move to IFRS will change the way Canadian companies present their business results to analysts, investors and other stakeholders. The implementation of IFRS for Canadian real estate companies may at first look like a complicated, expensive and difficult process. However, the size and complexity can be managed if companies plan ahead before the new accounting and reporting standards become effective.

Many real estate companies throughout Europe and Australia have completed their transition and have been applying IFRS since January 1, 2005. The transition to IFRS for real estate companies in these countries has shown there are some interpretation and application challenges unique to the real estate industry.

A PwC November 2007 publication titled *Increasing transparency and compatibility: the way forward – IFRS Real Estate Survey – Summer of 2006 Results* summarizes some of the more challenging issues in financial reporting and disclosure for real estate companies, which include:

- **Recognition, measurement and classification**

Measuring investment properties at fair value at each reporting period-end, with fair values either reported (i) directly on the balance sheet (and corresponding changes in fair values recorded through the statement of earnings) or (ii) in the notes to the financial statements.

Ensuring all categories of real estate assets are defined and described properly in the accounting policies: besides

investment property, which shows up in nearly all real estate financial statements, the categories used in the balance sheet can include property, plant and equipment (PP&E) for own use, PP&E under development, inventory and assets held for sale.

- **Statement of earnings**

Presenting the various components that are part of revenue. The notes and accounting policies should clearly state what is included in revenue. Where service charges are included in revenue on a gross basis, the financial statements need to be clear that the entity acts as a principal rather than as an agent.

- **Acquisitions**

Considering the implications of the distinct accounting treatment of asset deals or business combinations.

- **Development property**

The criteria for real estate transfers in and out of investment property need to be disclosed in the accounting policies.

- **Deferred tax**

Disclosing relevant information relating to deferred tax balances: how this balance has been calculated, what the impact is of adjustments on the balance, the impact of different tax rates or of efficient structures.

- **Lease incentives**

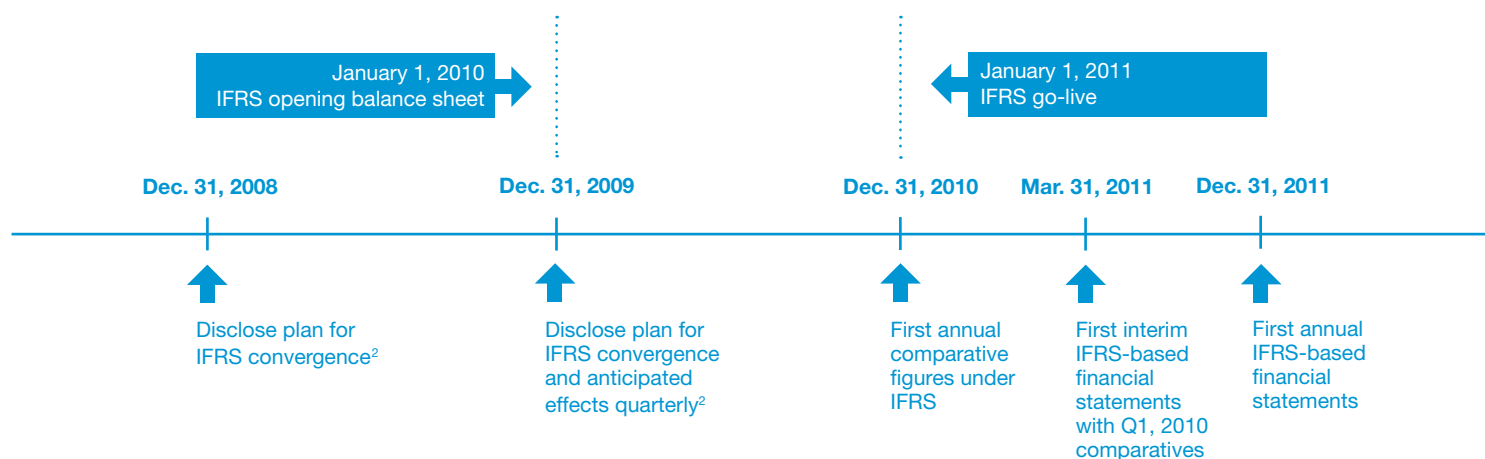
Ensuring the accounting for lease incentives is appropriate and the impact on the valuation of real estate assets is appropriately considered and disclosed.

In addition, a key challenge for all entities adopting IFRS will be ensuring that all aspects of the organization are aware and educated on the impact of the change to IFRS, including the impact on systems, processes and controls.

The following sections of this publication highlight some of the more significant differences between Canadian GAAP and IFRS that will specifically impact real estate companies.

Even though the Canadian changeover to IFRS is scheduled for 2011, the scale of the transition means there are decisions to be made today. Accounting information will need to be converted to IFRS starting January 1, 2010 for comparative financial statements that will be reported for the first quarter of 2011. In addition, once a company commences a changeover plan, it is expected to provide quarterly disclosures in its Management Discussion and Analysis related to expected changes in accounting policies as a result of the changeover to IFRS.

## The Canadian IFRS conversion timeline: Key dates and milestones<sup>1</sup>



<sup>1</sup> The table assumes a calendar year in which a company first reports under IFRS in 2011 and presents a single year of comparatives.

<sup>2</sup> Canadian Securities Administrators Staff Notice 52-320 requires quarterly disclosures in Management's Discussion and Analysis starting in 2008 on the plan for IFRS convergence and, starting in 2009, the expected impact of the adoption of IFRS. Quantification of the impact of adoption of IFRS will be required in 2010 in the annual Management's Discussion and Analysis at the latest.

### First-time adoption of IFRS

Under IFRS 1, the underlying principle on adoption of IFRS is retrospective application of all IFRS standards (with certain mandatory and optional exemptions) at the entity's first reporting period. Where differences exist and there is no exemption available, companies may have to put in significant effort to remeasure various historical transactions under IFRS. Early identification of Canadian GAAP differences and consideration of the exemptions are very important for a successful conversion.

### Investment property

An investment property is a property held to earn rental income or for capital appreciation, or both. It excludes: property used in the production or supply of goods or services; property used for administration purposes; and property held-for-sale in the ordinary course of business.

Adoption of IAS 40, *Investment Property*, will represent one of the most significant differences from the cost-based accounting model currently used under Canadian GAAP. IAS 40 provides entities with the choice to account for investment properties either using a fair value model or a cost-based model. Under the fair value model, amortization is not recorded and investment properties are adjusted to fair value at each reporting period-end with changes in fair value recorded directly in the income statement. On the other hand, if the cost-based model is used, disclosure of fair values is nonetheless required in the notes to the financial statements.

This requirement to determine the fair values of investment properties at each reporting period-end will require real estate companies to allocate resources to engage external valuation specialists or to develop the expertise and models in-house. Processes and controls will have to be created to effectively and efficiently accumulate the data that will be required in the valuation process, as well as monitor the resulting valuations.

Investment properties are initially measured at cost, including transaction costs. Transaction costs are not part of the fair value of the property, so it is possible that such transaction costs would effectively be written off at the next reporting date if there has been no change in the underlying fair value of the investment property.

Our experience in other countries that have adopted IFRS is that the fair value model is generally used. According to the PwC November 2007 publication entitled *Increasing transparency and comparability: the way forward – IFRS Real Estate Survey – Summary of 2006 Results*, approximately 86% of respondents use the fair value model.

With a new fair value reporting model pending for real estate entities, consideration will be required in respect of the potential impact the new model will have on financial covenants in existing debt agreements or trust indentures. In addition, the new fair value model will impact income from continuing operations, which will affect historical reporting metrics as well as potentially impacting regulatory reporting thresholds (i.e., significance tests for Business Acquisition Reports).

## Investment property held for sale and discontinued operations

Canadian GAAP and IFRS are converged in most respects in the areas of assets held for sale and discontinued operations, except that IFRS 5, *Non-current Assets Held for Sale & Discontinued Operations*, currently has a much more restrictive definition of what constitutes a discontinued operation. Under IFRS 5, a discontinued operation includes those operations where operations and cash flows can be clearly distinguished for financial reporting and the operations represent a separate major line of business or geographical area of operations, or a subsidiary acquired exclusively with a view to re-sell. Accordingly, it is expected that real estate entities will have fewer instances where they must present individual properties sold or held-for-sale as a discontinued operation.

## Property, plant and equipment

Property, plant and equipment would include owner occupied properties and is initially recorded at cost. However, IAS 16, *Property, Plant and Equipment*, provides entities with the option to revalue property, plant and equipment (other than investment property, which is accounted for under IAS 40) to fair value. The revaluation adjustment is recorded directly to equity if the revaluation results in an increase in the carrying value of the property, plant and equipment. If the revaluation adjustment results in a decrease in the carrying value of the property, plant and equipment, it is first recorded in equity to the extent of previous valuation adjustment increases, with any additional decrease recorded in the income statement.

IAS 16 requires that the cost of property, plant and equipment be broken down into its major component parts, which are separately measured and amortized over their respective useful lives. As a result, there will be significantly more tracking required for the individual major component parts. Although Canadian requirements are similar, application of the IFRS model may require greater rigour than traditionally followed under Canadian GAAP. Component accounting is also required under IFRS for investment properties that are accounted for using the cost-based model.

## Start-up costs

The real estate industry is characterized by projects that often have long development periods. Initial operating losses prior to the accounting completion date are currently capitalized under Canadian GAAP. IAS 11 and IAS 16, however, only allow capitalization of those start-up and similar pre-completion costs that are directly attributable to bringing the asset or project to the location and condition necessary for it to be operating or delivered in the manner intended by management. Canadian GAAP currently allows deferral of additional start-up costs under certain conditions, but will be consistent with IFRS commencing in 2009.

## Capitalization of interest

The treatment of borrowing costs also arises as an accounting issue during the development stage. Currently, Canadian GAAP provides little guidance on the capitalization of borrowing costs whereas IFRS requires capitalization of all borrowing costs incurred, which are directly attributable to the development of an asset under IAS 23.

### Impairment

IAS 36, *Impairment of Assets*, differs significantly from the current Canadian GAAP standards for the impairment of long-lived tangible and intangible assets. This is not applicable to investment properties carried at fair value. Under IAS 36, at each reporting date, companies are explicitly required to assess whether there are any indications of impairment. This periodic mandatory assessment is not currently required under Canadian GAAP. Both Canadian GAAP and IFRS require assets to be tested for recoverability whenever events or circumstances indicate the carrying amount may not be recoverable.

Under IFRS, there is no initial assessment of an asset's recoverability based on undiscounted cash flows as there is under Canadian GAAP. Rather, the carrying value of the asset is compared to the higher of the asset's 'value in use' and its 'fair value less costs to sell' in determining whether an impairment charge is required and, if so, the amount. This accounting difference may result in companies recording write downs under IFRS for assets that were previously considered recoverable using the initial undiscounted cash flow test under Canadian GAAP.

Another significant difference from the current Canadian standards is that IFRS requires the reversal of previous impairment losses where there is an indication that the loss may no longer exist or may have decreased. This requirement may lead to volatility in the income statements of real estate companies with impairments recorded and reversed in response to changes in economic conditions.

### Real estate under development and for sale

Real estate under development and for sale is carried at the lower of cost and net realizable value. Under IFRS, write-downs in value are reversed (but not in excess of historical cost) if a property's net realizable value subsequently increases. Canadian GAAP and IFRS are aligned in this area commencing in 2008 as a result of the release of CICA Handbook Section 3031, *Inventories*. Land that is held for a currently undetermined future use is considered to be investment property, until such use is determined, and is measured at fair value or cost under IAS 40 depending on the policy choice made for investment properties. Measurement or disclosure of fair value for such land is inherently more challenging.

### Leases and revenue recognition for investment properties

Under Canadian GAAP, there are bright-line tests for classifying leases between operating and finance (i.e., capital) leases. Under IFRS, there are no similar bright-line tests. The classification is determined using qualitative guidelines and professional judgment. The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) have commenced a joint project to review the overall accounting for leases, so this will be an area to watch in the future.

Revenue recognition for operating leases is generally the same under Canadian GAAP and IFRS. Under IFRS, rentals from investment properties are recognized on a straight-line basis regardless of whether the fair value model or the cost-based model is used.

Under Canadian GAAP, termination payments are recognized as revenue when the tenant foregoes the rights and obligations from the use of the space (i.e., generally when the space is vacated). Under IFRS, however, such termination payments would be taken to income when the termination is negotiated and the fee is receivable.

Under IFRS, the cost of lease incentives, regardless of the nature, is accounted for as a reduction of rental revenues on a straight-line basis over the term of the lease. Under current Canadian GAAP, in accordance with EIC 156, *Accounting by a Vendor for Consideration Given to a Customer (Including a Reseller of the Vendor's Products)*, payments should be analyzed to determine if it is a capital improvement or a lease incentive, which would impact the presentation and accounting treatment.

## Revenue recognition

Under IAS 18, *Revenue*, revenues from real estate sales are recognized when:

- Significant risks and rewards of ownership have been transferred;
- Continuing managerial involvement and effective control are not retained;
- The amount of revenue can be reliably measured;
- The costs incurred or to be incurred can be reliably measured; and
- It is probable that the economic benefits will flow to the entity.

This is substantially the same as current Canadian GAAP.



Under IAS 11, *Construction Contracts*, revenues from construction contracts are accounted for using the percentage-of-completion method if reasonable estimates of revenues and costs are available. Otherwise, the zero-profit method is used (i.e., costs are recognized as incurred and revenues are recognized to the extent of costs incurred). The completed contract method, which is commonly used under Canadian GAAP, is not permitted under IFRS.

## Joint ventures

Joint ventures are common in the real estate industry as they allow entities to share the risks and significant capital costs of ownership and development of real estate properties with other entities. The accounting for joint ventures under IFRS and Canadian GAAP is currently similar, except that, under IFRS, an entity may choose to account for its investment in a jointly controlled entity using either proportionate consolidation or the equity method of accounting. The IASB, however, is in the process of revising its joint venture standard, having issued an exposure draft in September 2007. One of the most significant changes expected in the final standard is a requirement to use the equity method of accounting for most joint ventures other than those carried out through co-ownership (undivided) interests. At its April 2008 meeting, the IASB decided to proceed with finalizing the standard as proposed in the exposure draft.

Joint venture arrangements will, therefore, need to be carefully analyzed to determine the appropriate accounting under the revised IFRS standard.

## Variable interest entities

IFRS does not contain a standard equivalent to AcG-15, *Variable Interest Entities*, under Canadian GAAP. Instead, IFRS applies a consolidation model requiring consolidation based on control or where the substance of the relationship indicates control. Standing Interpretations Committee SIC-12, *Consolidation – Special Purpose Entities*, states that control of a special purpose entity may be indicated by an entity's exposure to risks and benefits related to the special purpose entity.

## Business combinations and subsidiaries

The IASB and FASB recently completed their joint project on business combinations to develop new requirements for accounting for purchases and the new standards were released late in 2007 for US GAAP and early in 2008 for IFRS. The new IFRS standards also included an amendment to IAS 27, *Consolidated and Separate Financial Statements*. The new IFRS standards are effective for calendar years commencing in 2010. The AcSB in Canada has indicated that it expects to incorporate the new IFRS standards into Canadian GAAP in 2008 and to have them take effect in 2011, with early adoption permitted in 2010.

The new IFRS standards have significantly different requirements than current Canadian GAAP, which will need to be considered for all business combinations. These new requirements include:

- The determination of the consideration paid and fair values of assets acquired;
- Measurement and presentation of non-controlling interests in the balance sheet and income statement;
- Accounting for contingent consideration and contingencies;
- Accounting for transaction costs; and
- Transactions with the non-controlling interests.

In addition, the distinction between an asset purchase and a business combination is particularly important under IFRS as deferred tax is generally not recognized on an asset acquisition (due to the “initial recognition” exemption) but is recognized for a business combination. In contrast, under Canadian GAAP, when an asset is acquired in a means other than through a business combination, and the tax basis of that asset is different than its cost, the future income taxes recognized at the time of acquisition should be adjusted against the cost of the asset.

## Derivatives and hedging

The recent adoption of the new financial instruments standards in Canada has closely aligned Canadian GAAP with IFRS. There are, however, certain subtle differences in the standards applicable to derivatives and hedging that will require consideration on transition. This is a complex area that affects many real estate companies that use financial and non-financial derivatives to hedge cash flows and the value of assets and liabilities. Careful analysis will be required to identify potential differences in derivatives and hedging activities.

# Conversion is not just a technical accounting exercise

IFRS will present unique challenges for senior management, the financial reporting function, the treasury function and many other areas across the organization. IFRS may impact existing management reporting including budgets, forecasts, performance measures, reward schemes and bonus structures, key performance indicators and covenants. Furthermore, new procedures should be considered to ensure IFRS implications are considered as part of the approval process for all new strategic investments. Depending on the size and complexity of the organization, most real estate companies will likely find that their human resources, IT, investor relations and business development departments will need to be involved in planning the transition to IFRS.

IFRS across the organization		
<p><b>Implementation Resources</b></p> <ul style="list-style-type: none"> <li>• Need for resources over 12-18 months</li> <li>• Competing projects</li> <li>• Not just a finance issue</li> </ul> <p><b>Training and Education</b></p> <ul style="list-style-type: none"> <li>• All finance staff will need some training</li> <li>• Broader awareness of the issues</li> <li>• Other business professionals within organization</li> <li>• Executives need to be able to understand and explain the “new” numbers</li> </ul>	<p><b>Business Acquisitions</b></p> <ul style="list-style-type: none"> <li>• Need for IFRS figures for due diligence</li> <li>• Models required for annual goodwill impairment tests</li> </ul> <p><b>Financing/Refinancing</b></p> <ul style="list-style-type: none"> <li>• Impact of IFRS on earnings or asset-based debt covenants</li> </ul> <p><b>Remuneration</b></p> <ul style="list-style-type: none"> <li>• Impact of earnings volatility on profit-based bonus plans</li> </ul>	<p><b>Systems and Processes</b></p> <ul style="list-style-type: none"> <li>• Need for different/new data</li> <li>• New systems</li> </ul> <p><b>SOX/ICOFR Certification</b></p> <ul style="list-style-type: none"> <li>• Process/control documentation updates</li> </ul> <p><b>Investor Relations</b></p> <ul style="list-style-type: none"> <li>• Preparing analysis for the impact of IFRS</li> </ul> <p><b>Management Reporting</b></p> <ul style="list-style-type: none"> <li>• Budgets, forecasts, management accounts and KPIs (Key Performance Indicators) need to be on an IFRS basis</li> </ul>

## Communication

The financial statements of a Canadian real estate company will look different under IFRS than they currently do under Canadian GAAP. Senior executives need to be prepared to discuss the reasons for, and the nature of, the differences to board members, shareholders, the investment community and financial analysts. A detailed communication plan is necessary to educate stakeholders and actively manage perceptions.

There are a number of areas within IFRS that are subject to interpretation. While a primary aim of the IASB is to have a global set of standards applied consistently, the reality is that there are differences in the specific application of a particular accounting rule from one company to another.

Communication of key policy choices, interpretations and accounting decisions in some detail may also be necessary to differentiate and explain a real estate company's financial results under IFRS as compared to its peers.

Our experience with companies in Europe and Australia has shown that early communication, including the sharing of pro forma financial statements with preliminary figures and/or opening balance sheets under IFRS – in advance of the transition date – has allowed investors and analysts to understand and become comfortable with financial results and their presentation. In contrast, late or absent dialogue with key stakeholders concerning the financial implications of the adoption of IFRS could result in a direct impact on share price.



## Impact on systems and processes

IFRS compliance may require the realignment of reporting systems for new and additional data.

Our experience has shown that many companies implementing IFRS underestimate the time and resources needed to meet this challenge. This is especially true with existing management systems or legacy systems from past acquisitions that have never been updated and are not geared to provide sufficient or appropriate data for preparing new and increased disclosures. To make the best decisions about IT investment and achieve user engagement, it is important that company IT executives have sufficient time to perform systems realignment and are not forced to complete this work in a “fire-drill” environment.

Other process changes under the move to IFRS can be equally as important and may include the following:

- Revising existing reporting templates and other checklists to incorporate data required for disclosures under IFRS;
- Rationalizing or expanding the chart of accounts to post additional measurement changes and/or collect additional disclosures under IFRS;
- Reviewing period-end close procedures to achieve efficient close times;
- Reviewing outsourced operations’ controls and capability in producing IFRS compliant information; and
- Obtaining IFRS information from significantly influenced investees and/or variable interest entities.

## Education, awareness and culture

The migration to IFRS may also require a training program that combines knowledge transfer with the ability to address skills, attitudes and motivation. The entire organization, not just finance and accounting, will need to be trained in this area (e.g., functions such as internal audit and investor relations). Training should focus on what information individual business units will need to provide in order to comply with IFRS and how IFRS will affect their decision-making and value creating strategies.

Early awareness training on the important impact areas and changes under IFRS will enable key stakeholders, including key executives and board members, to be fully briefed on the new requirements and help drive a positive spirit of change management throughout the organization.

## Regulatory requirements

The adoption of IFRS will require Canadian entities to consider various regulatory requirements.

### Use of IFRS by Canadian SEC registrants

A significant benefit to a Canadian SEC registrant adopting IFRS-IASB is that the entity will no longer have to reconcile its primary financial statements to US GAAP in SEC filings. The SEC also has extended an accommodation to first-time IFRS reporters, enabling them to present only a single year of comparative financial statements, rather than the two years it usually requires.

The SEC's IFRS accommodations are effective now but are not available to Canadian SEC registrants before 2011 unless approval of an early adoption of IFRS is obtained from the Canadian securities regulators for Canadian filing purposes as previously discussed on page 2.

On adopting IFRS, a Canadian SEC registrant will no longer have to reconcile to US GAAP.

The Canadian Securities Administrators are also proposing to retain the existing option in National Instrument 52-107 for Canadian SEC registrants to continue using US GAAP.

#### Internal controls over financial reporting

Public companies will also need to consider Multilateral Instrument 52-109 (certification of disclosure in issuers' annual and interim filings) and Sarbanes-Oxley requirements (management assessment of internal controls) as they transition to IFRS. Specifically, entities will need to update their documentation on the internal controls over financial reporting and related evaluation procedures for processes and changes impacted by the IFRS migration. Furthermore, entities will need to consider controls over the conversion process itself.

## Merger and acquisition implications

The move to IFRS may add increased complexity to merger and acquisition (M&A) transactions in countries that have not yet adopted IFRS.

The main challenges will be the need to translate the target's historical and projected performance into IFRS to assess the accounting implications of the transaction and to understand the impact on the acquirer's earnings per share.

Complexities in IFRS accounting will lead to tougher due diligence requirements when evaluating targets in the real estate sector, even if the target is already reporting under IFRS.

Given that a number of areas of IFRS specifically affecting real estate companies require judgment and interpretation, comparability and consistency in the application of IFRS across countries and companies could vary markedly. Acquirers may need to devote more time and resources to scrutinizing how the target's numbers have been produced.

The potential cost of bringing the target's reporting systems up to the acquirer's standards, and the time required to do this, could significantly affect a company's ability to realize integration synergies, especially as we get closer to the transition date.

To the extent that a Canadian entity completes any acquisition of a target company not currently reporting under IFRS before 2011, it will need to include the target companies in its IFRS conversion and readiness plan.

Our experience assisting companies with M&A transactions has shown that they have struggled to obtain the additional data and disclosures required for target companies under IFRS.



## Planning an effective conversion

It is easy to underestimate the volume and complexity of the work involved with the implementation of IFRS.

Our experience internationally has shown that some companies transitioning to or applying IFRS for the first time will try to make manual adjustments from local GAAP to IFRS using spreadsheets or similar tools. These quick fix conversions are often not the most cost-effective choice in the long run – especially as these fixes can be prone to error, confusion and typically lack the appropriate internal controls surrounding their preparation.

To ensure sustainable and uniform application of IFRS throughout your organization, you will need to document your accounting policy selections and make sure they are consistently followed.

Each individual company will have unique circumstances that require sound judgment and expert advice. Advanced planning and an in-depth diagnostic of how IFRS will affect your company's financial reporting will reduce the risk associated with compliance and lower the overall cost of transition.

# How we can help

PwC has unparalleled experience in helping many of the world's largest companies adopt IFRS. We have assisted with IFRS conversion projects in Canada and elsewhere for a wide range of companies across all industries. Our dedicated resources and experience in working with many of the more than 12,000 companies that have already made the transition to IFRS have taught us valuable lessons that will help Canadian real estate companies with their own conversion process.

Our experience has shown that a critical success factor for IFRS conversion is a well-planned implementation, which is started several years in advance of the required convergence date.

Our industry-focused teams specialize in IFRS/GAAP conversions for a wide range of organizations – from large, complex institutions requiring detailed analysis, to organizations with more straightforward requirements. These teams are supported by our Capital Markets Group, a global team of over 500 IFRS conversion experts, who specialize in multi-GAAP environments and the related conversion implications.

## Our Real Estate Group

To combine our collective experiences and promote consistency across our clients, we have established a real estate group in Canada under the leadership of Frank Magliocco. The group has access to real estate specialists from some of the key territories in which IFRS is currently being adopted or already applies, including the UK, Germany and Australia. The group has developed real estate specific solutions for a wide range of accounting issues and plays a key role in resolving new issues that emerge. Please visit [www.pwc.com/ca/realestate](http://www.pwc.com/ca/realestate) for more information about our group. Please visit [www.pwcifrs.ca/realestate](http://www.pwcifrs.ca/realestate) to learn more about IFRS and the real estate industry.

We also have specific real estate valuation expertise in our real estate group and can assist you with developing your real estate valuation models and valuations.

**PwC professionals can help you plan and complete your transition to IFRS by providing:**

- **An initial diagnostic of Canadian GAAP/IFRS accounting differences**
- **Advice on selection of appropriate accounting policies**
- **Advice on development of an IFRS implementation plan**
- **Training for all levels of your staff, including your board of directors**
- **IFRS trained and experienced people to supplement your IFRS team**
- **Project management support to your IFRS team**
- **Communication strategies and change management support**
- **Assessment of your requirements for data, processes, systems and controls**
- **Advice on process and system solutions to embed IFRS**
- **Competitor benchmarking**
- **M&A target accounting conversion assistance**
- **Valuation advice under IFRS fair value and impairment models**
- **Tax planning considerations on conversion to IFRS**

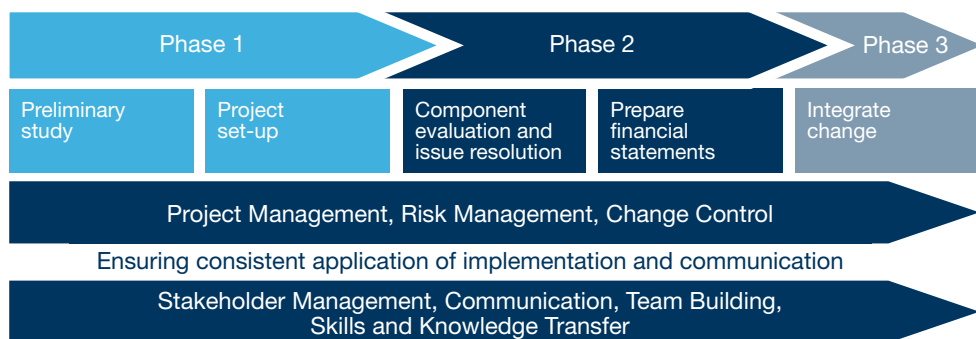
## PwC's Transition/IFRS Methodology

While compliance with new rules is the driver for IFRS projects, our experience indicates that a methodical approach to the conversion process can yield wider benefits. Our Transition/IFRS methodology is a robust, tried and tested framework that has an inherent flexibility, enabling us to adapt it to work most effectively within your organization and one that we would tailor to your needs and phases, as outlined below. This methodology has consistently delivered successful results.

Typically, each IFRS transition project consists of three phases. In Phase 1, the diagnostic stage, we carry out an initial impact analysis and plan the later phases. Phase 2 consists of the detailed steps necessary to prepare the first complete IFRS financial statements. In Phase 3, we take the information, issues and solutions gathered, and integrate them into your underlying financial systems and processes.

Transition/IFRS acts as a springboard from which you can launch and control your conversion project, accessing the support and guidance you need as the implementation progresses.

We are ready to help you manage the conversion process with fewer headaches. To learn more about how we can help, visit our website at [www.pwcifrs.ca](http://www.pwcifrs.ca) or contact one of the IFRS professionals listed on page 17 of this publication.



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For more information  
on IFRS and to view  
IFRS publications,  
visit our website at  
[www.pwcifrs.ca](http://www.pwcifrs.ca).

This publication does not provide a complete list of Canadian GAAP differences that Canadian real estate companies need to consider upon transition to IFRS.

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