hudson LLP
CHARTERED ACCOUNTANTS

300, 625 - 11th Avenue SW, Calgary, Alberta T2R 0E1
T 403.265.0340 F 403.265.3142 www.hudsonllp.ca

January 16, 2009

International Accounting Standards Board
30 Cannon Street
London, United Kingdom EC4M 6XH

Dear Sirs:

Re: Comment on Exposure Draft - Additional Exemptions for First-time Adopters

I am submitting the following comments on behalf of the members of Nexia Canada listed at the end of this letter. We are a network of CA firms located across Canada, servicing a wide range of clients - from small, owner managed enterprises to medium-sized, public companies.

In this response we have addressed the questions specifically posed in the Exposure Draft.

We trust that you will find our comments useful and constructive. If you wish to discuss them further, please do not hesitate to contact me.

Yours very truly,

Jonathan Winn
Partner
Hudson LLP on behalf
of Nexia Canada comprising:

Davidson & Company LLP
Hudson LLP
Zeifmans LLP
Nexia Freidman LLP
Lyle Tilley Davidson
Perreault, Wolman, Grzywacz & Co.

Attachment

Q1 – Deemed cost for oil and gas assets

Do you agree with the proposed deemed cost options for entities using full cost accounting under previous GAAP? Why or why not? If not, what alternative do you propose and why?

We service a number of clients involved in the Canadian Oil and gas industry who follow Canadian GAAP. Virtually all of these companies use the full cost method of accounting for their exploration and evaluation assets, and property, plant and equipment. All of these costs, including production equipment and facilities, and acquisition costs allocated to oil and gas exploration and development activities under the purchase method for business combinations, have all been recorded in country-by-country cost centres, or pools. Subsequent depletion and depreciation, including impairment provisions, are all determined and then recorded on this pool basis. Once such costs are added to each country pool, for accounting purposes they lose their identity and are no longer tied to with specific assets.

Conversion to IFRS, without the proposed exemption, would cause preparers in the Canadian oil and gas industry to enter into a very costly and, in many cases, almost impossible process of recreating detailed historic records as at the transition date due to unavailable and/or potentially unverifiable documentation of past activities together with the increased need to use more subjective estimates. Ivestors, bankers and other creditors already rely heavily on independently determined oil and natural gas reserve reports, including related discounted and undiscounted values. A costly conversion process to recreate the historic exploration and evaluation costs and property, plant and equipment accounts would have little or no economic benefit to stakeholders.

In the Canadian joint industry associations submission of January 30, 2008 to Mr. Paul Cherry, Chair of the Accounting Standards Board at the Canadian Institute of Chartered Accountants and to Ms. Liz Hickey, Director of Technical Activities at the International Accounting Standards Board, it was requested that the IASB consider amending IFRS 1 to allow the historic net book value of the fixed assets accounts to be allocated at the IFRS transition date between exploration and evaluation assets and property, plant and equipment, subject to capitalization limits imposed by impairment testing.

Our Firms endorse the exemption for full cost oil and gas companies as specifically outlined in the September 25, 2008 IASB Exposure Draft titled "Additional Exemptions for First-time Adopters – Proposed amendments to IFRS 1".

Q2 – Oil and gas assets – disclosure

Do you agree with the proposed disclosure requirements relating to the deemed cost option for oil and gas assets? Why or why not?

We agree with the proposed disclosure requirements relating to the deemed cost options for oil and gas assets. Disclosure of the election to use the exemption outlined in the exposure draft, and the basis of carrying value allocations to the new categories of fixed asset accounts provides stakeholders with the information to understand the effects of the transition from the previous GAAP to IFRS.

Q3 – Deemed cost for operations subject to rate regulation

Do you agree with the proposed deemed cost option for entities with operations subject to rate regulation? Why or why not? If not, what alternative do you propose and why?

We are generally supportive of the proposed amendment. The impact of requiring full retrospective application of IAS 16 in the circumstances outlined in the exposure draft would cause a significant amount of difficulty for Canadian entities, without generating corresponding benefits to the users of their financial statements. We do however, question why the Board has included an impracticability test in this exemption since there is similar requirement for preparers wishing to use the other optional exemptions in IFRS 1.

Q4 – Leases

Do you agree with the proposal not to require the reassessment of whether an arrangement contains a lease in the circumstances described in this exposure draft? Why or why not?

We do agree with this exemption, primarily on cost benefit grounds.

Q5 – Assessments under previous GAAP before the date of transition to IFRSs

Do you agree that the situation referred to in Question 4 is the only one in which additional relief of this type is needed? If not, in what other situations is relief necessary and why?

No comment