



December 5, 2008

International Accounting Standards Board
1st Floor
30 Cannon Street
London, EC4M 6XH
United Kingdom

Re: Simplifying Earnings per Share (an Exposure Draft of Proposed Amendments to IAS 33)

FEI Canada is an all-industry professional association of senior financial executives, with eleven chapters across Canada and more than 2,100 members. FEI Canada provides thought leadership and advocacy services to its members.

The Committee on Corporate Reporting (CCR) is one of two national committees of FEI Canada. CCR membership is comprised of more than 20 senior financial executives representing a broad cross-section of FEI membership and the Canadian economy who have volunteered their time, experience and knowledge to consider and recommend action on a range of accounting, corporate reporting and disclosure issues.

The body of this letter includes our general comments and observations on the Exposure Draft. Appendix A to this letter includes our responses to the specific questions raised.

General Comments and Observations

We support the proposal to include shares that are currently issuable for little or no cost to the holder and are deemed to share currently in the profit and loss of the period in the computation of basic EPS. We believe the expanded definition of basic EPS better reflects the actual shareholder position since it captures more instances of shares to be issued imminently. For clarity, we recommend the Board consider preserving the specific inclusion of contingently issuable shares with a contingency condition satisfied, as outlined in paragraph 24 of the existing standard.

We support the proposed use of end-of-period market price compared to average market price when calculating proceeds from the assumed exercise of dilutive options, warrants and their equivalents as we believe it provides a good "point-in-time" view of the actual shareholder position. We did note that it could result in significantly different outcomes, relative to the current guidance, for companies experiencing significant fluctuations in stock price or significant continuous trending during a period, but that the proposed approach could be implemented with little operational difficulty. We would like to point out that the proposed statement does not define the "end-of-period" market price and recommend the Board consider supporting use of a reasonable trading window to address unusual trading activity around the end of the period.

CCR is pleased to have the opportunity to provide our views on this topic and trusts that you find our comments constructive. We would be happy to discuss our comments with you at any time.

Yours very truly,



Victor Wells
Chair
Committee on Corporate Reporting
FEI Canada

APPENDIX A

Question 1 – Mandatorily convertible instruments and instruments issuable for little or no cash or other consideration

Paragraphs 18 and 19 of the exposure draft propose that the weighted average number of ordinary shares should include only instruments that give (or are deemed to give) their holder the right to share currently in profit or loss of the period. If ordinary shares issuable for little or no cash or other consideration or mandatorily convertible instruments do not meet this condition, they will no longer affect basic EPS.

- (a) Do you agree that the weighted average number of ordinary shares for basic EPS should include only instruments that give (or are deemed to give) their holder the right to share currently in profit or loss of the period? Why or why not?
- (b) Does the exposure draft apply this principle correctly to mandatorily convertible instruments and ordinary shares issuable for little or no cash or other consideration? Why or why not?

Response

We support the Board's decision to limit the inclusion of ordinary shares and instruments in basic EPS to only those that have a right (or are deemed to have a right) to participate currently in profit or loss of the period while at the same time allowing for more types of instruments to be included. This definition better reflects the actual shareholder position by capturing all shares issuable imminently that have an immediate potential to participate in earnings.

Question 2 – Gross physically settled contracts to repurchase an entity's own shares and mandatorily redeemable ordinary shares.

Paragraphs A31 and A32 of this exposure draft propose clarifying that an entity treats ordinary shares that are subject to a gross physically settled contract to repurchase its own shares as if the entity had already repurchased the shares. Therefore, the entity excludes those shares from the denominator of the EPS calculation. To calculate EPS, an entity allocates dividends to the financial liability relating to the present value of the redemption amount of the contract. Therefore, the liability is a participating instrument and the

guidance in paragraphs A23 – A28 applies to this instrument. However, such contracts sometimes require the holder to remit back to the entity any dividends paid on the shares to be repurchased. If that is the case, the liability is not a participating instrument.

The Board proposes that the principles for contracts to repurchase an entity's own shares for cash or other financial assets should also apply to mandatorily redeemable ordinary shares.

Do you agree with the proposed treatment of gross physically settled contracts to repurchase an entity's own shares and mandatorily redeemable shares? Why or why not?

Response

[We believe the Board's conclusions for these types of contracts reflect their economic substance and we therefore support them.]

Question 3 – Instruments that are measured at fair value through profit or loss

For an instrument (or the derivative component of a compound instrument) that is measured at fair value through profit or loss, paragraphs 26 and A28 propose that an entity should not:

- (a) adjust the diluted EPS calculation for the assumed exercise or conversion of that instrument; or
- (b) apply the guidance for participating instruments and two-class ordinary shares in paragraphs A23-A28

Do you agree that the fair value changes sufficiently reflect the effect on ordinary equity holders or instruments measured at fair value through profit or loss and that recognizing those changes in profit or loss eliminates the need for further adjustment to the calculation of EPS? Why or why not?

Response

We agree with the concept of not adjusting EPS for such instruments because the fair value changes adequately reflect their effect on ordinary equity holders. Put another way, to also adjust EPS would result in "double-counting" their effect.

Question 4 – Options, warrants and their equivalents

For the calculation of diluted EPS, an entity assumes the exercise of dilutive options, warrants and their equivalents that are not measured at fair value through profit or loss. Similarly, paragraph 6 of this exposure draft proposes clarifying that to calculate diluted EPS an entity assumes the settlement of forward contracts to sell its own shares, unless the contract is measured at fair value through profit or loss. In addition, the boards propose that the ordinary shares arising from the assumed exercise or settlement of those potential ordinary shares should be regarded as issued at the end-of-period market price, rather than at their average market price during the period.

- (a) Do you agree that to calculate diluted EPS an entity should assume the settlement of forward sales contracts on its own shares in the same way as options, warrants and their equivalents? Why or why not?

- (b) Do you agree that ordinary shares arising from the assumed exercise or settlement of options, warrants and their equivalents should be regarded as issued at the end-of-period market price? Why or why not?

Response

We believe the Board's conclusion with respect to forward sales contracts on Company shares reflect their economic substance and we therefore support them. With respect to point (b), we support the proposed use of end-of-period market price compared to average market price when calculating proceeds from the assumed exercise of dilutive options, warrants and their equivalents as we believe it provides a good "point-in-time" view of the actual shareholder position. Although it could result in significantly different outcomes relative to the current guidance for companies experiencing significant fluctuations in stock price or significant continuous trending, we recognize that the proposed approach could be implemented with little operational difficulty. We encourage the Board to support the use of a reasonable trading window in determining "end-of-period" market price to address unusual trading activity around the end of a period.

Question 5 – Participating instruments and two-class ordinary shares

Paragraph A23 proposes to extend the scope of the application guidance for participating instruments to include participating instruments that are classified as liabilities. In addition, the Board proposes to amend the application guidance for participating instruments and two-class ordinary shares. The proposed application guidance would introduce a test to determine whether a convertible financial instrument would have a more dilutive effect if the application guidance in paragraph A26 and A27 for participating instruments and two-class ordinary shares is applied or if conversion is assumed. The entity would assume the more dilutive treatment for diluted EPS. Also, the amended application guidance would require that, if the test causes an entity to assume conversion of dilutive convertible instruments, diluted EPS should reflect actual dividends for the period. In contrast, diluted EPS would not include dividends that might have been payable had conversion occurred at the beginning of the period.

Do you agree with the proposed amendments to the application guidance for participating instruments and two-class ordinary shares? Why or why not?

Response

We support the Board's conclusion for these types of instruments in the interests of avoiding undue complexity and avoiding the assumption of payment of pro forma dividends.

Question 6 – Disclosure requirements

The Board does not propose additional disclosures beyond those disclosures already required in IAS 33.

Are additional disclosures needed? If so, what additional disclosures should be provided and why?

Response

We support the Board's view that the current disclosure requirements are sufficient and, therefore, no additional disclosure is required under the revised statement.