

Deloitte.

Conversion to IFRS

IIROC FAS Conference
September 19, 2008



Audit. Tax. Consulting. Financial Advisory.

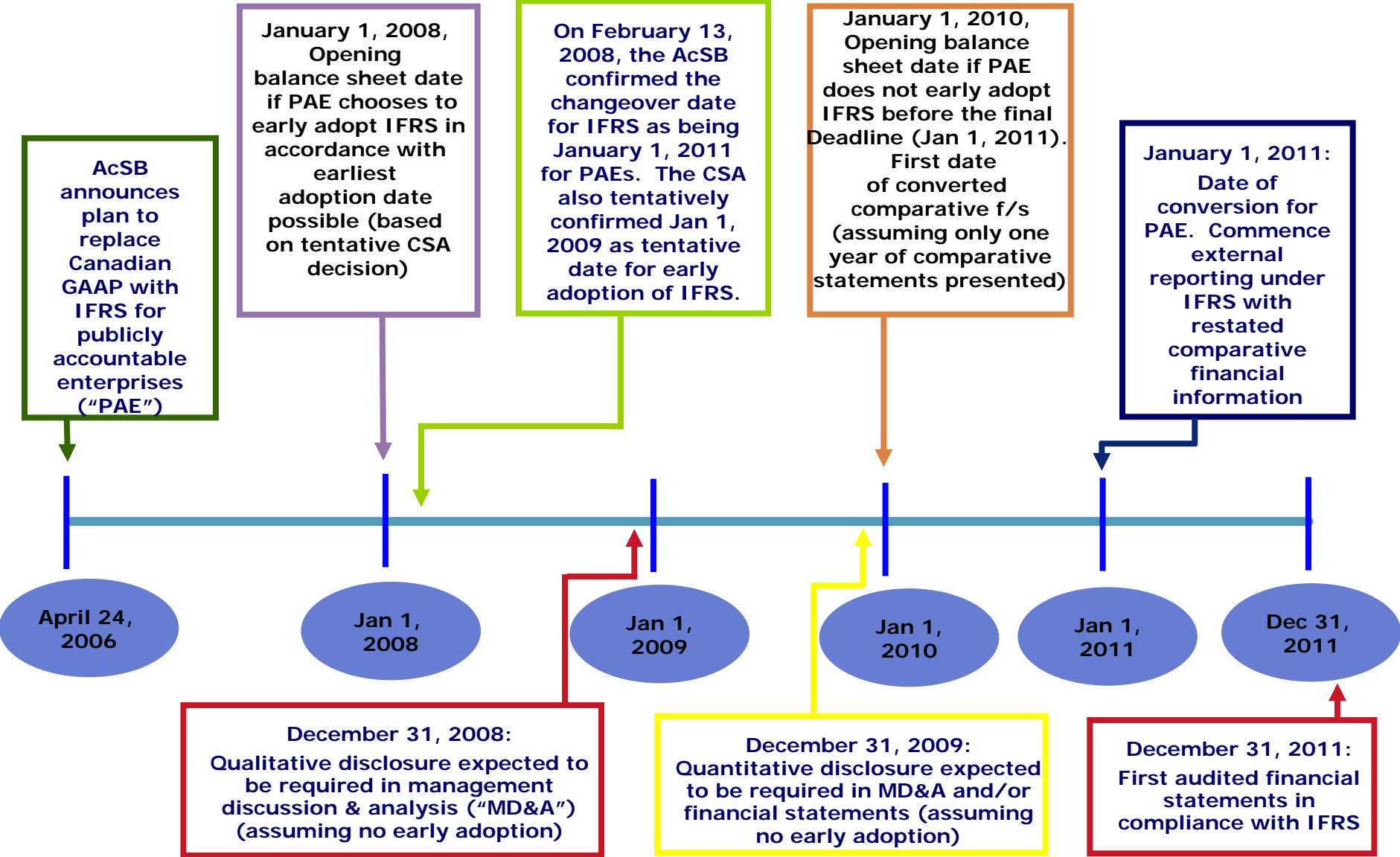
Agenda

- IFRS Timelines
- IFRS Potential Impacts
- IFRS Approach
- IFRS Planning
- IFRS 1 First-time Adoption of IFRS – Exemptions and Exceptions
- IFRS Resources

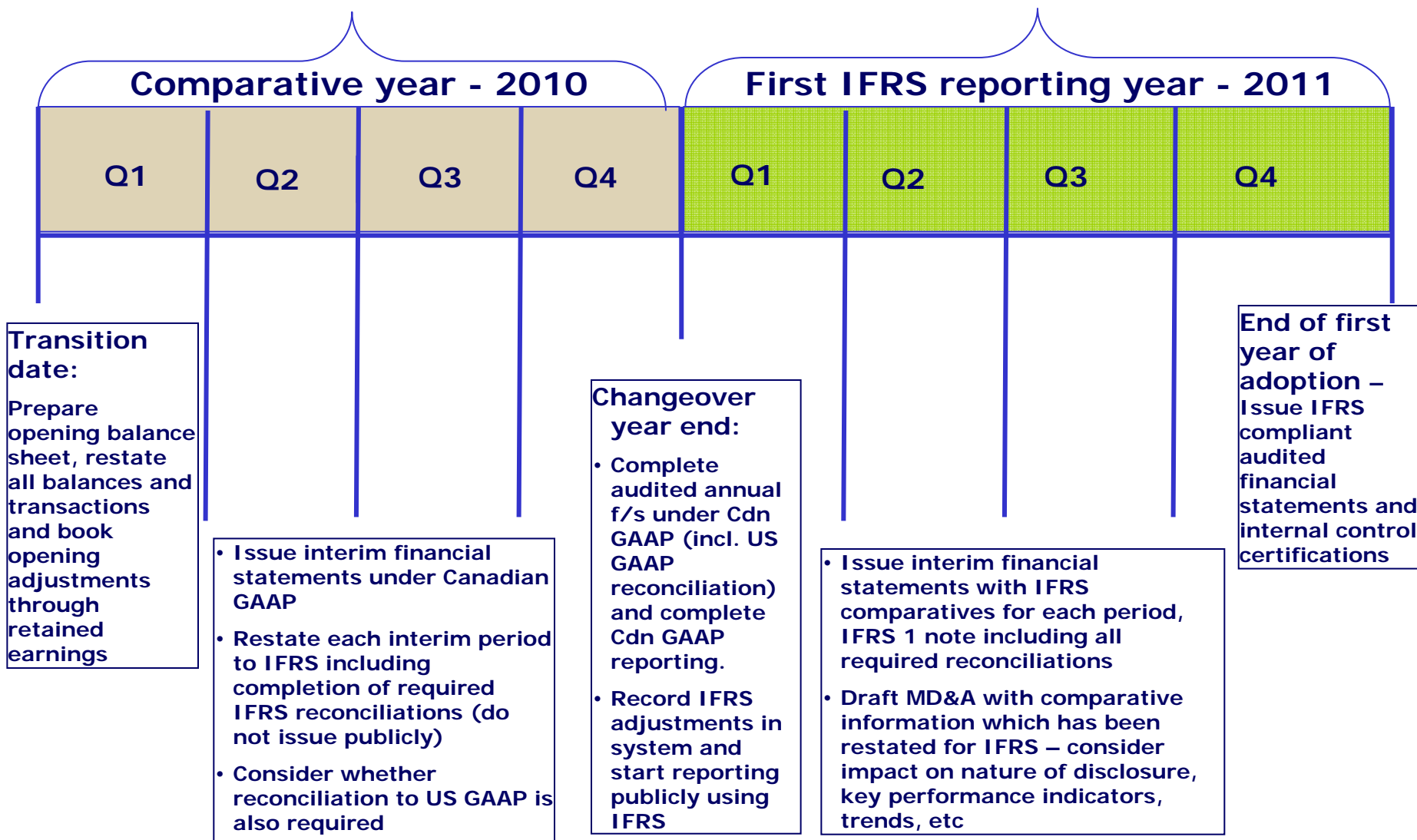
IFRS Timelines and Impact



Timeline to adopt IFRS in Canada



Implementation timelines



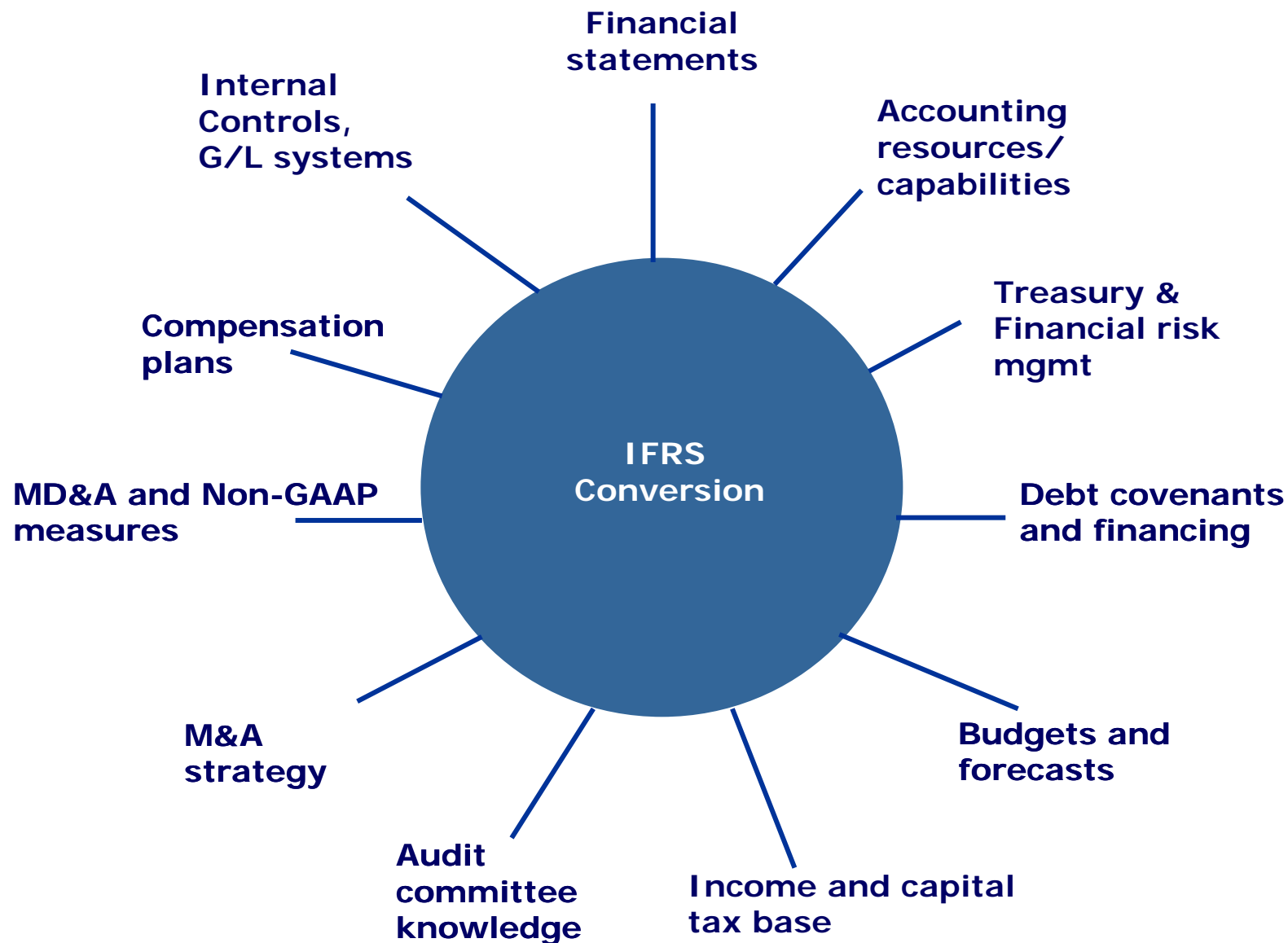
What is a PAE?

Types of Entities Acting in a Fiduciary Capacity	PAE?
Banks	✓
Credit Unions	✓
Insurance companies	✓
Securities broker/dealers	✓
Mutual funds	✓
Investment banks	✓
Other entities that stand ready to hold and manage financial resources entrusted to them by clients, customers or members not involved in the management of the entity	✓

IFRS potential impacts



IFRS conversion: More than just accounting



IFRS impacts – beyond financial reporting

- Systems Changes: Requirement to maintain dual books in 2010 (Canadian GAAP and IFRS). More disclosure required which may require tracking in financial systems. (Information Technology)
- Education: Getting resources educated in IFRS to help the Company make the right choices (Human Resources)
- Information gathering: IFRS compliant information from subsidiaries, more fair value data, actuarial valuations, 2008 and 2009 disclosures (Finance)
- Significant ratios, debt agreements and covenants: Impact of change in GAAP on debt agreements and covenants. Key ratios that are based on GAAP information may change. (Treasury, Legal/Regulatory and Investor Relations)
- Budgets and Forecasts: Impact of change in GAAP on long-range planning and establishment of key performance indicators; forecasting the cost of implementation. (Operations)
- Other compliance programs – impacts to internal control over financial reporting (ICFR), Financial Instruments, Basel and other regulatory compliance related programs

Accounting and financial reporting impact

- Adoption of IFRS will primarily impact the accounting and reporting function. Key affected areas include:

- **Technical Accounting**

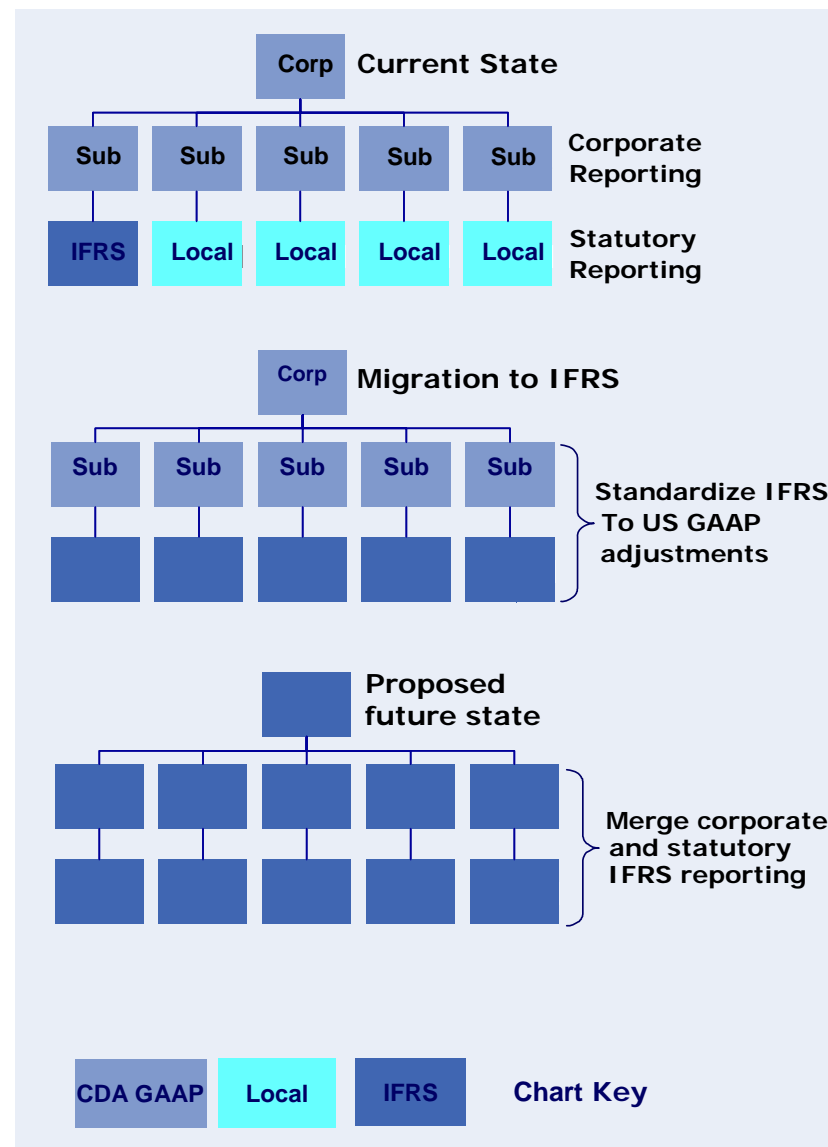
- Introduces the need for analysis of key differences between local GAAP and IFRS
- Requires evaluation of accounting alternatives to ensure appropriate presentation of the underlying business transactions
- Requires consistency in application of accounting standards across subsidiaries and/or legal entities

- **Corporate & Statutory Reporting**

- Requires reconciliation from IFRS to CDA GAAP, which can be standardized and reviewed centrally
- Introduces the need for additional interpretive guidance for complex transactions from Corporate. This can reduce variability in accounting for the same transaction across different subsidiaries

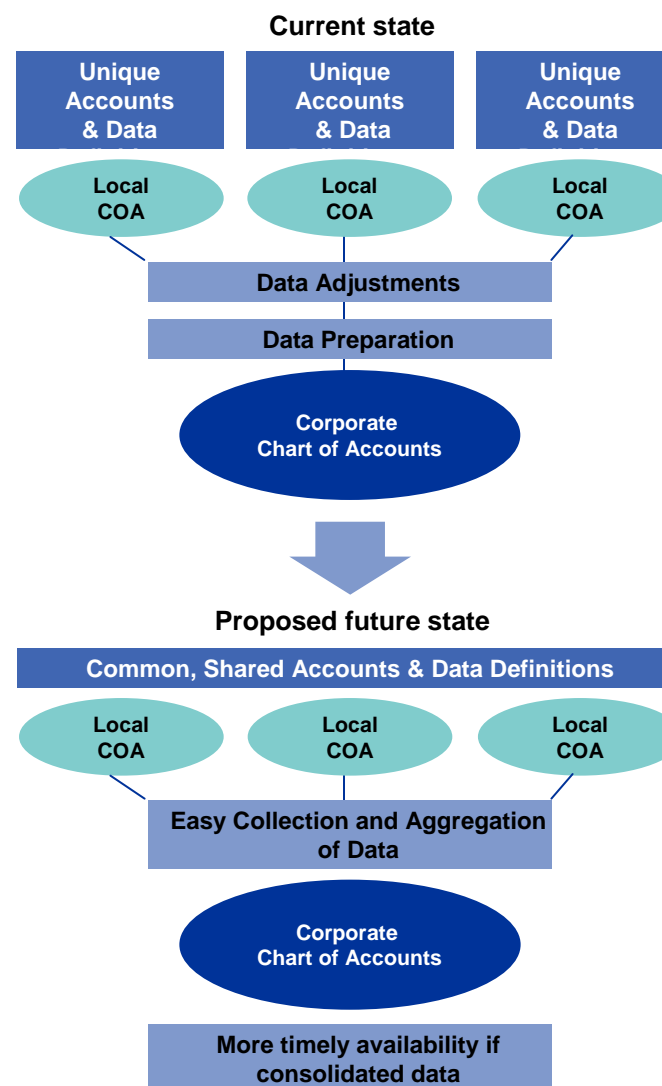
- **Tax**

- Impacts local tax reporting requirements
- Requires preparation of standardized IFRS financial statements for each country
- Requires reconciliation from respective local GAAP to IFRS for calculation of tax provisions
- Impacts tax processes and technology



Reporting process impacts

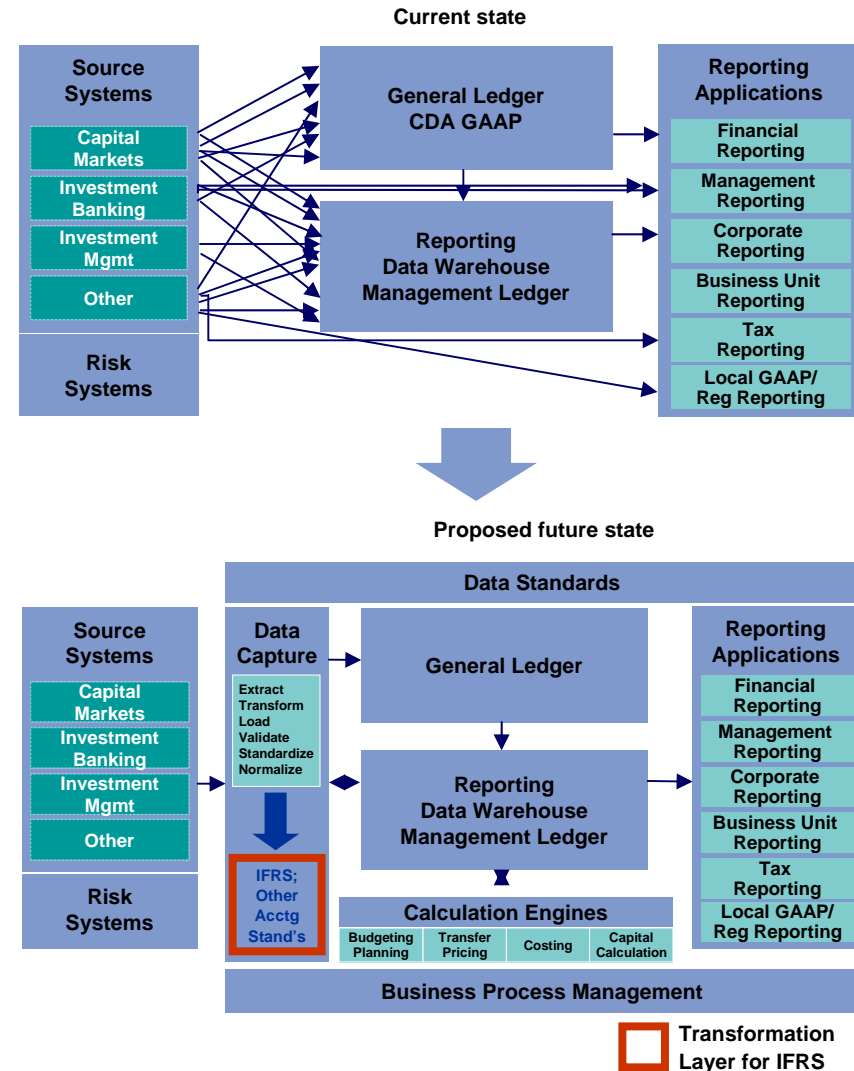
- The types of specific global reporting activities that your company may need to consider when planning for an IFRS conversion include:
 - Evaluate new accounts necessary for adoption, and impact to Corporate chart of accounts
 - Assess existing close calendar and identify activities that will be impacted by changes to reporting requirements
 - Update policies and procedures to reflect changes in data capture, hand-offs, reconciliations, etc.
 - Review current Corporate consolidation logic and document necessary modifications
 - Perform inventory of existing reports and assess level of effort to modify reports for requirement changes
 - Assess existing management reporting packages and metrics for impacts of IFRS adoption
 - Review implication to key competitor benchmarking and analysis
 - Evaluate impact to internal control environment and related documentation and testing approaches



System impacts

IFRS has wide ranging impacts upon systems architecture including changes to:

- **Source Data**
 - Modifications to existing user interfaces to capture IFRS specific data requirements
- **Transformation Layer**
 - Changes to accounting logic to extract and standardize data
 - Processing/conversion of data to meet IFRS standards
 - Modifications to system interfaces
- **Data Stores**
 - Modification of existing databases to incorporate IFRS specific data
 - Changes in General Ledger configuration
- **Processing Engines**
 - Balancing data conversion to meet IFRS standards and business requirements/economics
- **Output/Distribution**
 - Adaptation of global financial reporting packages and tools to meet IFRS requirements
- **Reporting & Decision Support**
 - Need for appropriate interpretation of system reporting for varied purposes including financial reporting, statutory reporting and management reporting



Impact of IFRS on information systems

Impact of IFRS on the financial statements

Measurement

- Components for property, plant and equipment
- Annual reassessment of residual value
- Annual revaluation of property, plant and equipment if revaluation models applies
- Basis for impairment

Disclosures

- Segments
- Classification of tax liabilities
- Assumptions around CGUs if impairment issue
- Movements in provisions

IT impacts

- For both measurement and disclosure, the categories of changes can be:
 - Strategy for comparative year: Are systems capable of running both IFRS and CGAAP?
 - New source data (i.e. data not available in the system and the data input needs to be modified)
 - Information not previously reported but already existing in the systems
 - Change in calculations
 - General ledger structures (i.e. changed to meet new requirements)
 - Group reporting manuals and reporting packages (i.e. different information needed for consolidation)
 - Consolidation structure (i.e. IFRS requires different consolidation approach or new/other entities included)

Ten questions about IFRS and the IT environment

A number of IT systems and process changes may be required as part of IFRS implementation? How do you plan for this and what are the key questions to consider?

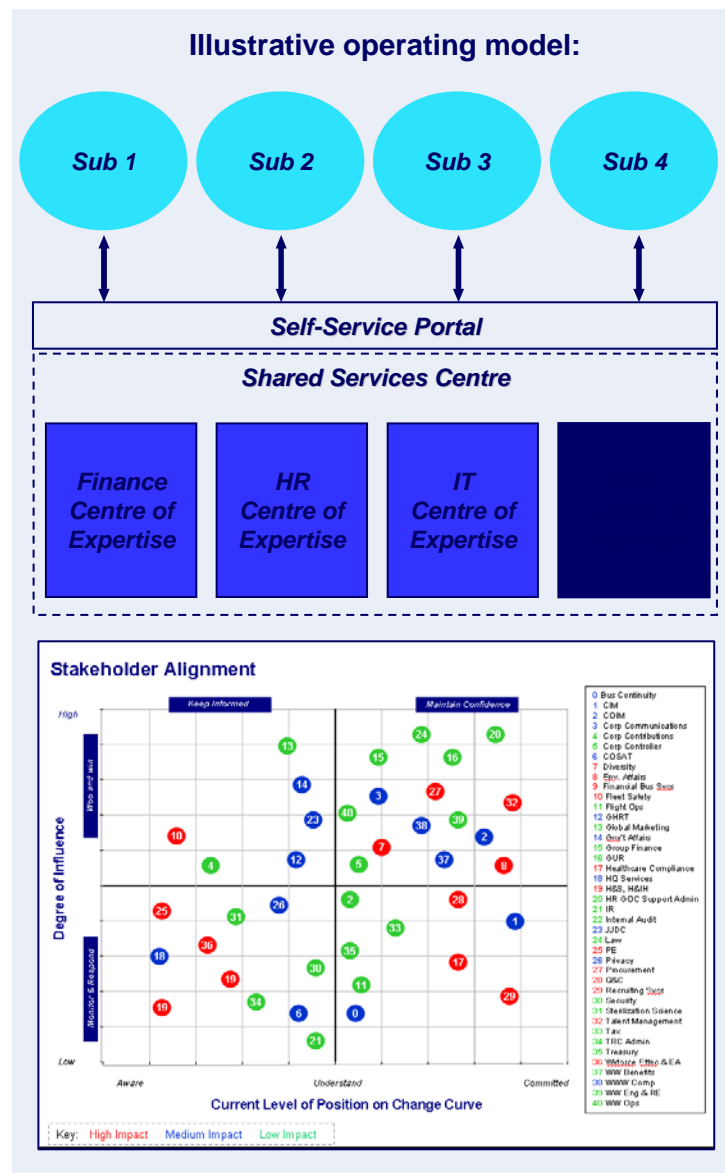
1. What is the data availability in the current information system?
2. How difficult is it to obtain the required IFRS information?
3. What level of re-configuration is required to obtain the data?
4. What is the required extent of use of data warehouse or other tools to generate information?
5. What is the optimal timing for implementing the changes (e.g. based on other competing strategic initiatives)

Ten questions about IFRS and the IT environment (continued)

6. Impact on the current internal control over financial reporting (ICFR) and process documentation – if the accounting is changes and the system is changing does that mean the control risk point might change?
7. Strategy for producing Canadian GAAP and IFRS results during the year prior to your IFRS reporting date – how will your existing systems, processes and controls handle two sets of books?
8. What is the impact of IFRS on existing IT system projects? if you are planning a significant system change/upgrade consider the timing of this against your IFRS timelines
9. Could you use the introduction of IFRS as an opportunity to revisit certain system investments or enhancements?
10. What is the impact of IFRS on your existing IT strategy over the new few years?

People impacts

- People and organizational design implications include impacts to:
 - **Operating Model:**
 - Potential to consolidate technical accounting and/or statutory reporting into Center of Excellence
 - Requires analysis of roles, reporting relationships, and responsibilities to determine potential for headcount reductions/reallocations
 - Necessitates definition of future state roles and responsibilities
 - **Stakeholder Alignment:**
 - Requires analysis of magnitude of change and stakeholders readiness for change
 - Requires leadership to assume responsibility for driving change throughout organization
 - Requires analysis of information and communication needs by stakeholder group and execution of communication plan
 - **Training & Learning:**
 - Requires stakeholders to be trained appropriately to deliver upon revised roles and responsibilities
 - Requires revised training and learning materials and workshops to be developed and deployed



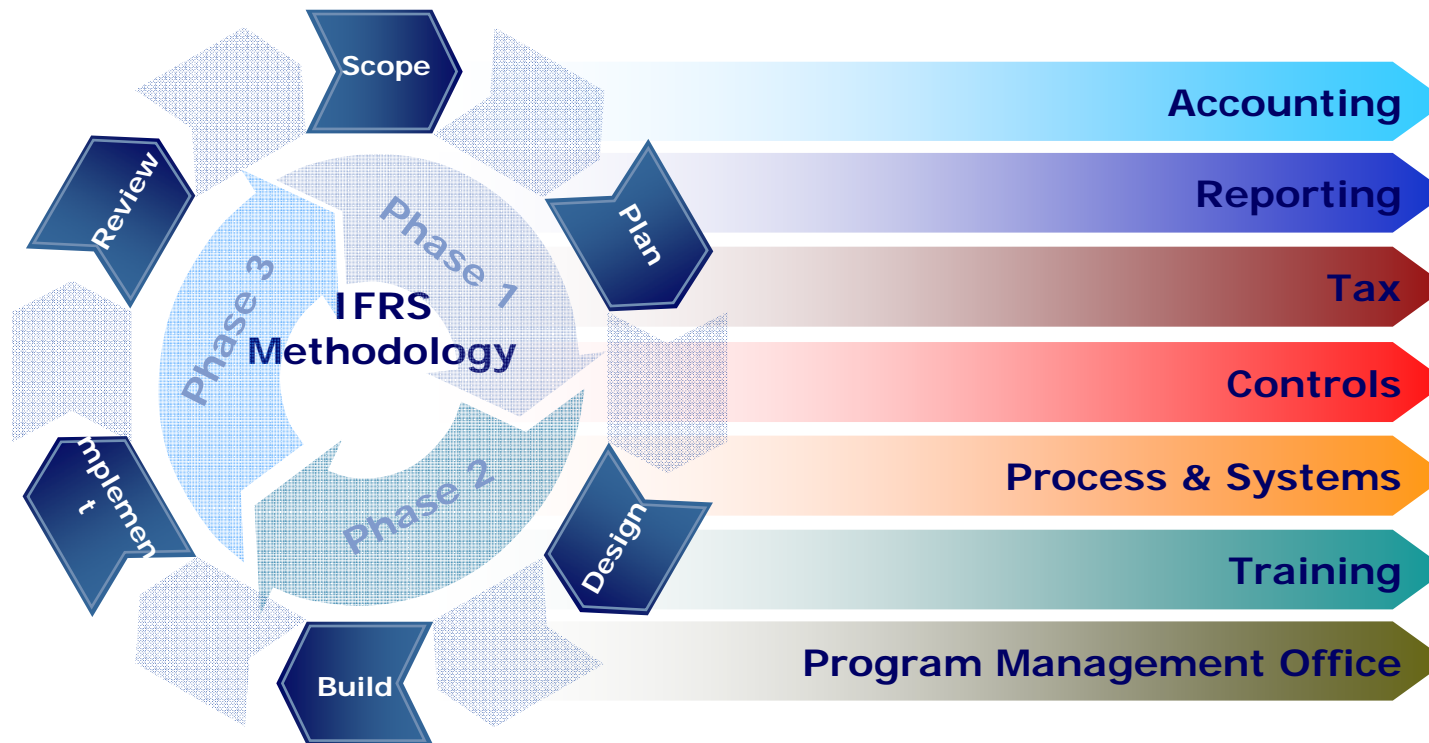
IFRS approach



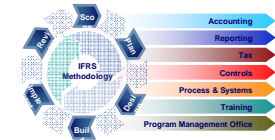
IFRS develop a methodology

- An IFRS conversion project can be divided into 3 phases:
 - Phase 1: Scope and Plan
 - Phase 2: Design and Build
 - Phase 3: Implement and Review

- The seven IFRS project conversion threads that impact each phase:
 - Accounting
 - Reporting
 - Tax
 - Controls
 - Process & Systems
 - Training
 - Project Management Office



IFRS methodology detail



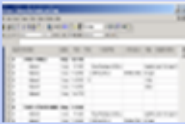



	Phase 1 Scope → Plan	Phase 2 Design → Build	Phase 3 Implement → Review
Objective	<ul style="list-style-type: none"> Prepare an IFRS conversion plan based on a gap assessment between the current state and required future state 	<ul style="list-style-type: none"> Perform comprehensive IFRS conversion 	<ul style="list-style-type: none"> Enable continued IFRS reporting Facilitate knowledge transfer
Accounting and Reporting	<ul style="list-style-type: none"> Determine impact of IFRS to current reporting Determine impact of IFRS on the entire organization 	<ul style="list-style-type: none"> Prepare for IFRS conversion by making policy and disclosure choices Design IFRS compliant internal/external reporting 	<ul style="list-style-type: none"> Prepare IFRS compliant financial statements and reporting Continually Monitor changes in IFRS standards
Tax	<ul style="list-style-type: none"> Determine the impact of IFRS adoption on tax processes and tax reporting Identify tax opportunities that would be cost beneficial 	<ul style="list-style-type: none"> Resolve first-time application issues Revise tax provision computations. Prepare tax disclosures in accordance with IFRS 	<ul style="list-style-type: none"> Carry out the tax conversion process Provide ongoing technical guidance
Controls	<ul style="list-style-type: none"> Determine the impact of IFRS on controls and governance 	<ul style="list-style-type: none"> Design controls (Entity Level Controls, process controls and IT controls) to align with IFRS conversion requirements and to ensure accuracy of reporting and adherence to timelines 	<ul style="list-style-type: none"> Develop approach for maintaining and updating control framework
Process & Systems	<ul style="list-style-type: none"> Analyze impact to accounting, reporting, close consolidation, and reconciliation processes Evaluate the impact on financial systems and architecture 	<ul style="list-style-type: none"> Design future state accounting, reporting, close consolidation, and reconciliation processes Design future state IT systems to incorporate IFRS reporting 	<ul style="list-style-type: none"> Deploy future state accounting, reporting, close consolidation, and reconciliation processes Configure, convert/migrate, test, and deploy system enhancements
Training	<ul style="list-style-type: none"> Assess training and learning needs Conduct initial IFRS awareness training sessions 	<ul style="list-style-type: none"> Provide ongoing technical training (accounting) Initiate end-user training Deliver initial and on-going controls training 	<ul style="list-style-type: none"> Provide ongoing technical training (accounting, end-user) Deliver IFRS tax training
Project Management Office	<ul style="list-style-type: none"> Establish a program structure to develop the IFRS conversion roadmap Assess potential magnitude of change to organizational structure 	<ul style="list-style-type: none"> Monitor progress and coordinate implementation of IFRS conversion roadmap Develop a revised sustainability model in light of IFRS conversion project 	<ul style="list-style-type: none"> Facilitate knowledge transfer to integrate IFRS conversion reporting into the overall finance organization Execute change management activities

IFRS Planning



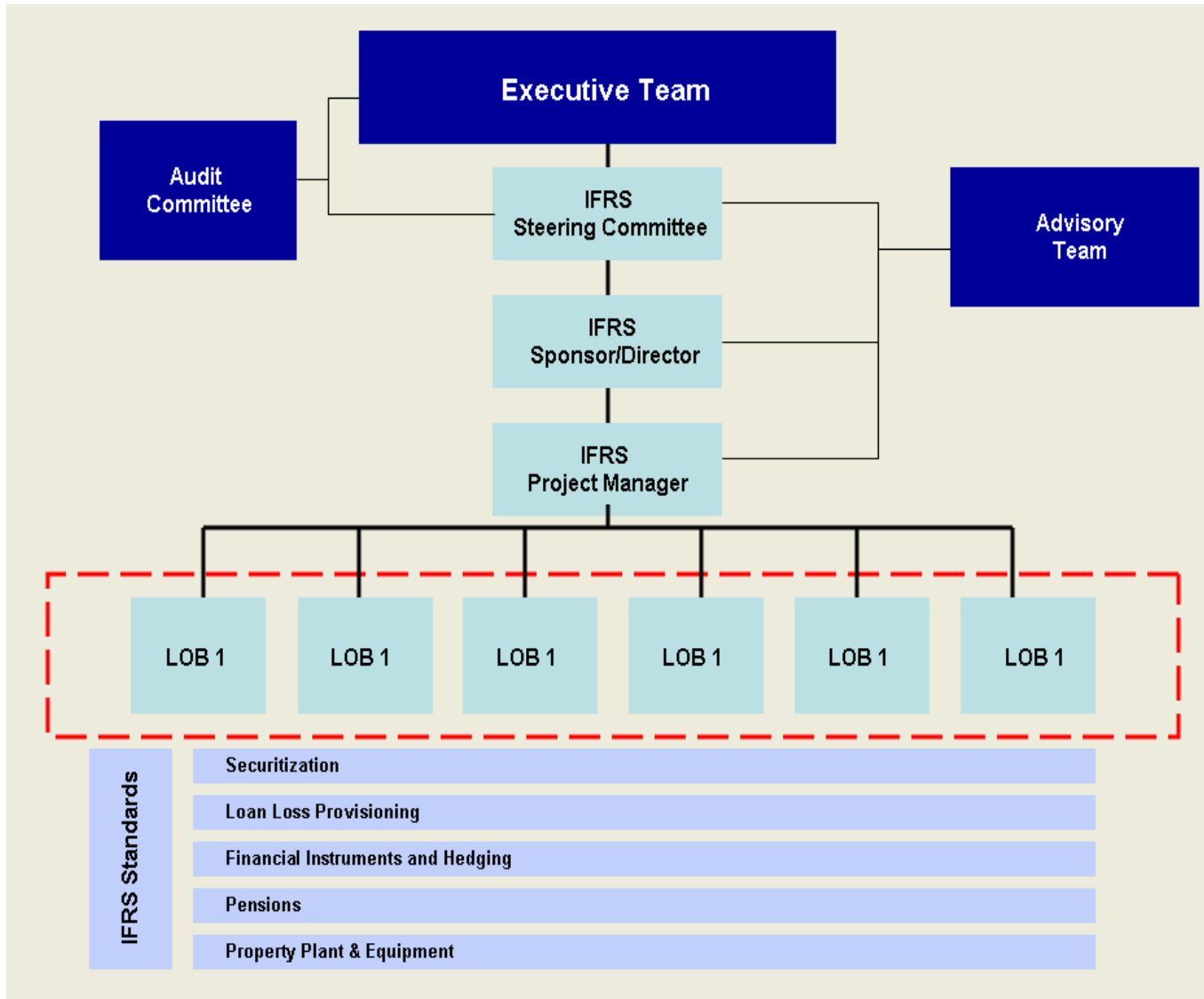
IFRS – Program management office components

Components	Key Activities	Template/Tools
<div data-bbox="266 521 558 704" style="background-color: #000080; color: white; text-align: center; padding: 10px;">Governance</div>	<ul style="list-style-type: none"> • Define Organization Structure • Develop Roles & Responsibilities • Establish standardized program processes and practices 	<div data-bbox="1230 521 1430 691" style="float: left; margin-right: 10px;">  </div> <div data-bbox="1461 505 1877 691" style="background-color: #cccccc; padding: 5px;"> <ul style="list-style-type: none"> • Organization Chart Templates • Program Calendar • Program Dashboard • Meeting Agenda Templates </div>
<div data-bbox="266 773 558 1105" style="background-color: #000080; color: white; text-align: center; padding: 10px;">Program & Project Management</div>	<ul style="list-style-type: none"> • Develop Project Charter • Develop and Manage integrated project plan including: <ul style="list-style-type: none"> - Scope - Milestones - Activities - Resources - Deliverables – Budgets • Coordinate Project Management and Change Management Processes: <ul style="list-style-type: none"> - Change Request - Change Approval - Change Planning and Integrated Management 	<div data-bbox="1247 748 1430 935" style="float: left; margin-right: 10px;">  </div> <div data-bbox="1461 732 1877 984" style="background-color: #cccccc; padding: 5px;"> <ul style="list-style-type: none"> • Charter Templates • Milestones Template • Resources Template • Budget Template • Change Requirement Template </div>
<div data-bbox="266 1175 558 1362" style="background-color: #000080; color: white; text-align: center; padding: 10px;">Status Reporting</div>	<ul style="list-style-type: none"> • Develop and Monitor Status Reporting Methods <ul style="list-style-type: none"> • Change Requests • Reporting • Risks and Issues 	<div data-bbox="1247 1000 1430 1122" style="float: left; margin-right: 10px;">  </div> <div data-bbox="1461 984 1877 1146" style="background-color: #cccccc; padding: 5px;"> <ul style="list-style-type: none"> • PMO Application (digital workplace) </div>
<div data-bbox="266 1183 558 1362" style="background-color: #000080; color: white; text-align: center; padding: 10px;">Status Reporting</div>	<ul style="list-style-type: none"> • Develop and Monitor Status Reporting Methods <ul style="list-style-type: none"> • Change Requests • Reporting • Risks and Issues 	<div data-bbox="1262 1187 1430 1373" style="float: left; margin-right: 10px;">  </div> <div data-bbox="1461 1187 1877 1373" style="background-color: #cccccc; padding: 5px;"> <ul style="list-style-type: none"> • Status Reports and Templates </div>

IFRS – Program management office components (continued)

Components	Key Activities	Template/Tools
<div data-bbox="222 529 525 792" style="background-color: #003366; color: white; padding: 10px; text-align: center; margin-bottom: 10px;"> Risk & Issue Management </div> <div data-bbox="222 812 525 1169" style="background-color: #003366; color: white; padding: 10px; text-align: center; margin-bottom: 10px;"> Training, Communication & Knowledge Transfer </div> <div data-bbox="222 1193 525 1382" style="background-color: #003366; color: white; padding: 10px; text-align: center;"> Quality & Document Management </div>	<ul style="list-style-type: none"> • Structured Issue Management Process: <ul style="list-style-type: none"> • Issue Identification • Issue Tracking • Issue Escalation & Resolution • Develop and coordinate Risk Mitigation and Contingency Planning • Develop overall Communication Plan • Develop Program Communication to Governing Executives and Management Team • Design Internal Program and Project Communication • Develop and coordinate Training • Perform Ongoing Knowledge Transfer • Develop and Implement a centralized documentation structure and repository • Enhance Document Retention and Version Control • Coordination of standard templates and processes 	<div data-bbox="1234 505 1415 607" style="margin-bottom: 10px;"></div> <div data-bbox="1255 621 1402 724" style="margin-bottom: 10px;"></div> <div data-bbox="1234 781 1415 862" style="margin-bottom: 10px;"></div> <div data-bbox="1234 915 1451 1044" style="margin-bottom: 10px;"></div> <div data-bbox="1255 1195 1430 1317" style="margin-bottom: 10px;"></div> <div data-bbox="1255 1357 1430 1414" style="margin-bottom: 10px;"></div> <div data-bbox="1461 529 1892 716" style="background-color: #cccccc; padding: 10px; margin-bottom: 10px;"> <ul style="list-style-type: none"> • Online Issue Log • Issue Summary/Status </div> <div data-bbox="1461 756 1892 1170" style="background-color: #cccccc; padding: 10px; margin-bottom: 10px;"> <ul style="list-style-type: none"> • Communication Plan Template • Audit Learning Tools • IFRS Training Content • Knowledge transfer training program </div> <div data-bbox="1461 1195 1892 1398" style="background-color: #cccccc; padding: 10px;"> <ul style="list-style-type: none"> • Deloitte OnLine eRoom with access to all necessary documentation <ul style="list-style-type: none"> • Team Calendar • Contact List • Deliverable Repository • Issue Database </div>

Governance structure

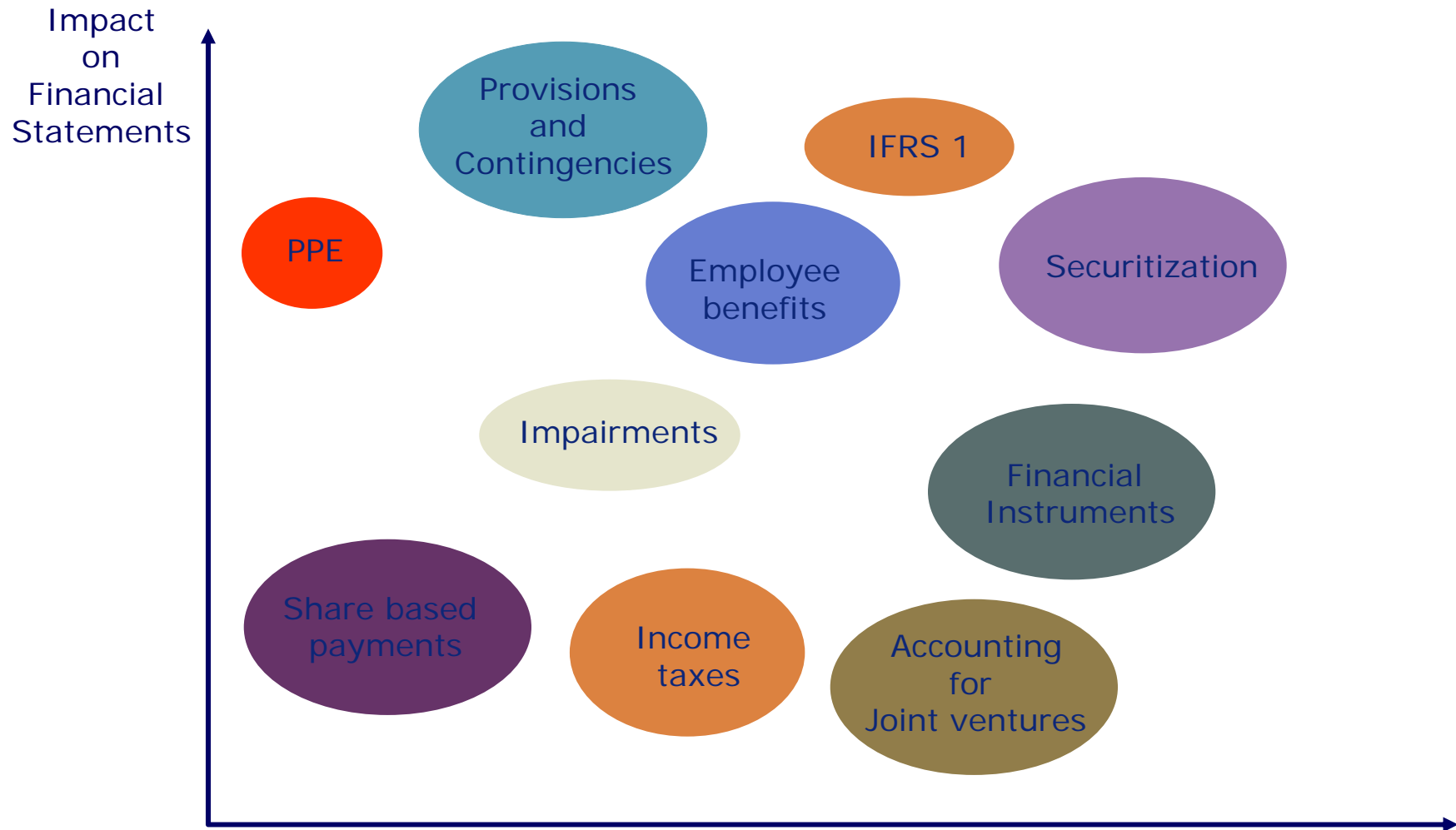


- **Involve key management**
- **Involve all special areas (IT, etc)**
- **Build strong reporting structure**
- **Clear structure on accountability**

Project work plan

	i	Task Name	Effective Date for Standards	Duration	Start	Finish	Pre
1		[-] IFRS Conversion Project	NA	725 days	Fri 5/9/08	Thu 2/17/11	
2		[-] Phase 1 - Plan & Scope	NA	120 days	Mon 5/12/08	Fri 10/24/08	
3		[+] Accounting	NA	120 days	Mon 5/12/08	Fri 10/24/08	
102		[+] Reporting	NA	32 days	Mon 5/12/08	Tue 6/24/08	
131		[+] Tax	NA	64 days	Fri 5/23/08	Wed 8/20/08	
182		[+] Controls	NA	41 days	Fri 5/23/08	Fri 7/18/08	
205		[+] Process and Systems	NA	58.5 days	Fri 5/23/08	Wed 8/13/08	
259		[+] Training	NA	27.5 days	Mon 5/12/08	Wed 6/18/08	
283		[-] Phase 2 - Design & Build	NA	434 days	Wed 10/1/08	Mon 5/31/10	
284		[+] Accounting	NA	173 days	Wed 10/1/08	Fri 5/29/09	
348		[+] Reporting	NA	434 days	Wed 10/1/08	Mon 5/31/10	
481		[+] Tax	NA	169 days	Wed 10/1/08	Mon 5/25/09	
541		[+] Controls	NA	33 days	Wed 10/1/08	Fri 11/14/08	
552		[+] Process and Systems	NA	147 days	Wed 10/1/08	Thu 4/23/09	
627		[+] Training	NA	48 days	Mon 10/20/08	Wed 12/24/08	
664		[-] Phase 3 - Implement & Review	NA	673 days	Mon 6/2/08	Wed 12/29/10	
665		[+] Accounting	NA	75 days	Mon 6/2/08	Fri 9/12/08	
704		[+] Reporting	NA	411 days	Mon 6/1/09	Mon 12/27/10	
800		[+] Tax	NA	413 days	Mon 6/1/09	Wed 12/29/10	
987		[+] Controls	NA	413 days	Mon 6/1/09	Wed 12/29/10	
1082		[+] Process and Systems	NA	63 days	Mon 8/2/10	Wed 10/27/10	
1108		[+] Training	NA	284 days	Mon 11/2/09	Thu 12/2/10	
1139		[-] Program Management Office	NA	725 days	Fri 5/9/08	Thu 2/17/11	
1140		[+] Initiate IFRS Conversion Project	NA	7 days	Mon 5/19/08	Tue 5/27/08	
1147		[+] Plan IFRS Conversion Project	NA	7.5 days	Wed 5/28/08	Fri 6/6/08	
1158		[+] Execute IFRS Conversion Project	NA	683 days	Fri 5/23/08	Tue 1/4/11	
1497		[+] Manage IFRS Conversion Project	NA	725 days	Fri 5/9/08	Thu 2/17/11	
2661		[+] Close IFRS Conversion Project	NA	14 days	Fri 12/31/10	Wed 1/19/11	

Example – Impact on security industry



IFRS 1 First-time Adoption of IFRS – Exemptions and Exceptions



IFRS 1 - Overview

- Applicable for all first-time adopters of IFRS
 - Addresses the first financial statements under IFRS
 - Will apply to those converting to IFRS under the CICA Strategic Plan
 - First stop on route to conversion

Primary Objectives:

- **Consistent** starting point for IFRS
- Specific requirements and detailed disclosures
- Clearly convey to users the **impact** of converting from Canadian GAAP to IFRS

IFRS 1 - Overview

RETROSPECTIVE APPLICATION

- General rule for IFRS 1
- Apply IFRS as if those standards had always been applied
- Any existing GAAP differences eliminated through equity
- Financial statements reflect financial position, results of operations and cash flows as if IFRS had always been applied

Exemptions and exceptions

- Except for the **exemptions and exceptions**, an entity's first IFRS balance sheet shall:
 - Recognize all assets and liabilities required by IFRS;
 - Not recognize items as assets or liabilities if not permitted by IFRS;
 - Reclassify items that are recognized as a different type of asset, liability or component of equity by IFRS; and
 - Apply IFRS in measuring all recognized assets and liabilities.

<see IFRS 1.10>

There are 14 **elective** exemptions and 5 **mandatory** exceptions in IFRS 1.

Exemptions and exceptions (continued)

- Relate to specific pieces of standards vs. whole standard
- Cost/benefit balance
 - Included to make the life of the financial statement preparer easier!
- Exemptions are elective
 - Entities may opt out of retrospective application
- Exceptions are mandatory
 - Retrospective application is prohibited

Elective exemptions

Those most frequently applied:

- Business combinations
- Fair value or revaluation as deemed cost
- Employee benefits
- Cumulative translation differences
- Assets and liabilities of subsidiaries, associates and joint ventures
- Borrowing Costs

Elective exemptions (continued)

Other exemptions:

- Share-based payment transactions
- Compound financial instruments
- Designation of previously recognized financial instruments
- Insurance contracts
- Decommissioning liabilities included in the cost of property, plant and equipment
- Leases
- Fair value measurement of financial assets or financial liabilities
- Service concession arrangements

<See IFRS 1.13>

Mandatory exceptions

- Estimates
- Non-controlling interests
- Derecognition of financial assets and financial liabilities
- Hedge accounting
- Asset classified as held for sale and discontinued operations

<See IFRS 1.26>

Fair value or revaluation as deemed cost

- Applies to:
 - PP&E,
 - Investment property, and,
 - Intangible assets (if the IAS 38 criteria for revaluation are met).
- Applied on an asset by asset basis
 - Need not be applied to every item in a class
- Impairment test still required if indicators exist

Fair value or revaluation as deemed cost (continued)

Option A:

Elect to use fair value at date of transition as deemed cost.

Option B:

Elect to use revalued amount according to previous GAAP at time of revaluation as deemed cost, if...

Option C:

Elect to use fair value at the date of an event such as privatization or IPO as deemed cost.

IFRS Resources



Deloitte IFRS publications

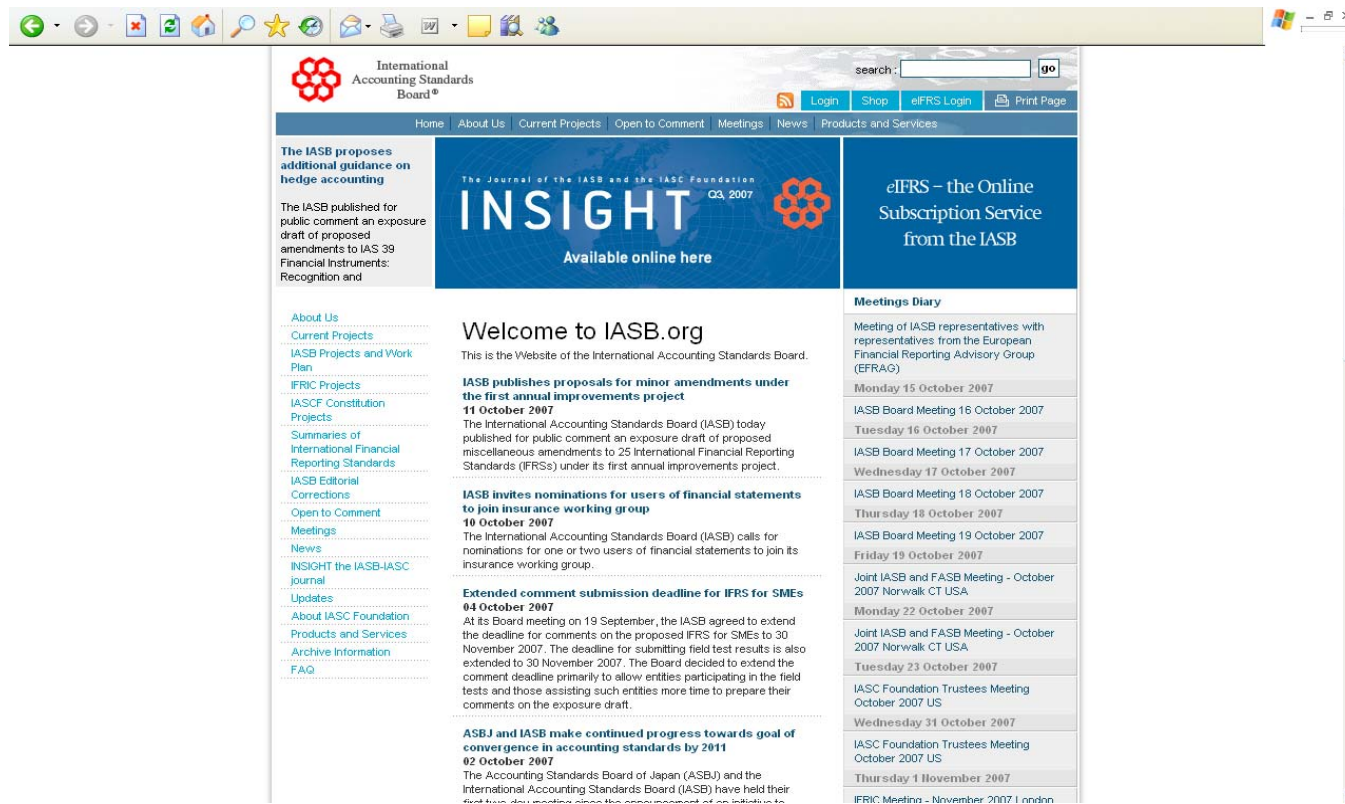
- IFRS Publications (Some examples only)
 - The Conversion of Canadian GAAP to IFRS: Planning for a Cost-Effective Transition
 - The Conversion of Canadian GAAP to IFRS: Volume One – Scoping the Effort
 - IFRS – Are you Ready?
 - Model IFRS financial statements
 - IFRS financial statements 2006 – Key Considerations for Preparers
 - Interim financial reporting: A guide to IAS 34
 - IFRSs in your pocket
 - First-time Adoption: A Guide to IFRS 1
 - On Your Marks–Get Set? Transition to IFRSs in Retailing Sector
 - Is European Retailing Ready for IFRSs?
 - Guide to IFRS 3 Business Combinations
 - Guide to IFRS 2 Share-based Payment

Deloitte IFRS websites

- The publications referred to on the preceding page are available electronically at our Canadian website, www.deloitte.ca or on our IFRS website, IASplus.com
- Please contact your local Deloitte professional advisor for a manual copy of any of these publications
- More information on our web-based IFRS services is included below:
 - Visit www.deloitte.com/ca/ifrs to learn more about our IFRS conversion services
 - Deloitte IFRS web-based seminars
 - www.iasplus.com (our IFRS website)
 - IFRS e-learning: One module on each international standard. Includes a self test so you can assess whether your IFRS project team are ready for IFRS conversion.
 - IFRS publications: See previous page
 - IAS Plus newsletter
 - Daily news updates on IASB developments
 - Summaries of standards and interpretations
 - Comparisons between local GAAP and IFRS (e.g., USGAAP/Canadian GAAP/UK GAAP....)

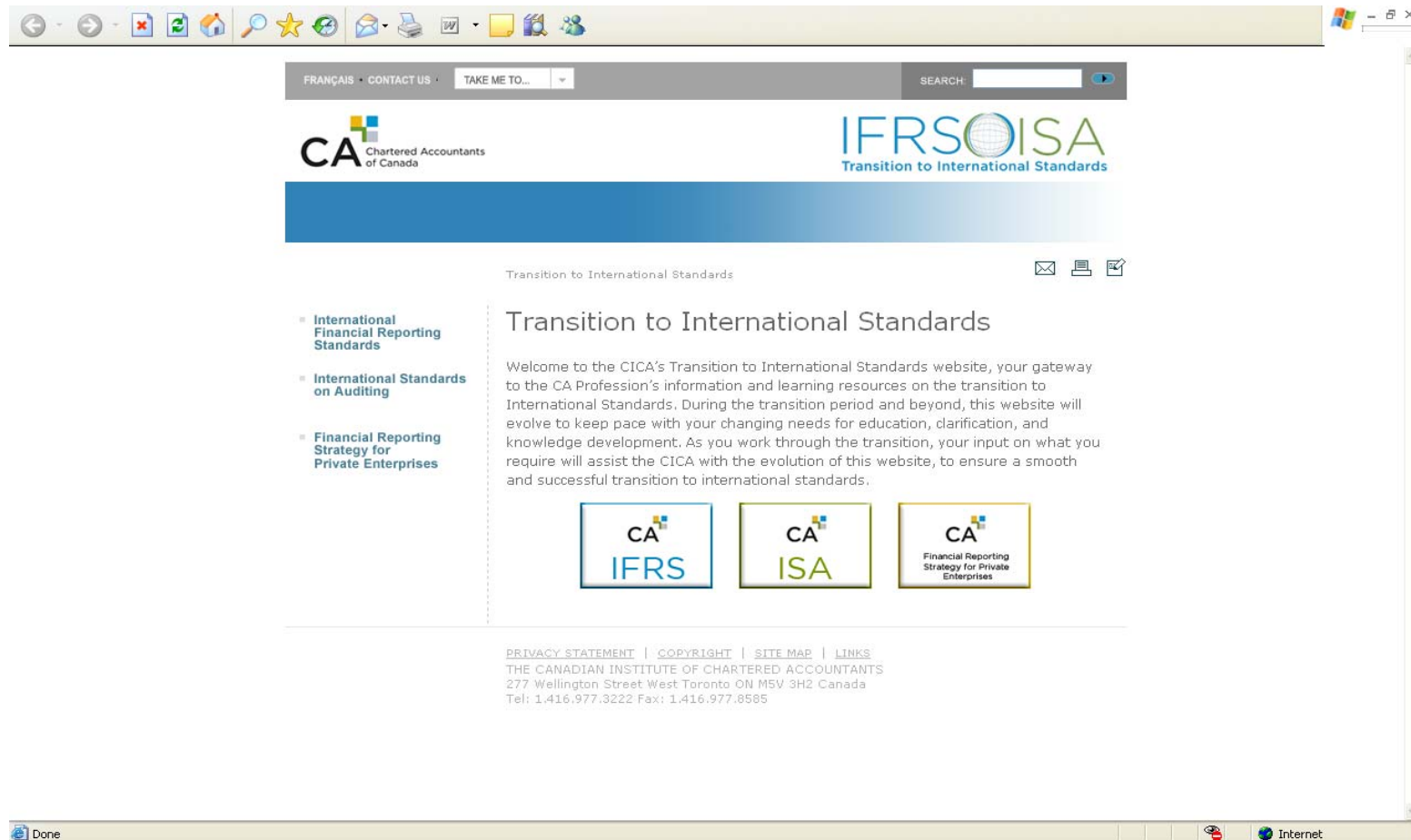
Other basic IFRS tools

- www.iasb.org
 - IASB official website
 - Provides summaries of standards, current projects, recent developments, new standards and exposure drafts



Other basic IFRS tools (continued)

- www.cica.ca
 - IFRS Transition Website recently launched





Contacts

If you would like more information about IFRS or how Deloitte can help your organization, please contact one of the following professionals:

Paul Gibbons
Partner

416-601-6232
pagibbons@deloitte.ca

Erez Seiler
Associate Partner

416-643-8215
eseiler@deloitte.ca



Deloitte.

Deloitte, one of Canada's leading professional services firms, provides audit, tax, consulting, and financial advisory services through more than 7,600 people in 56 offices. Deloitte operates in Québec as Samson Bélair/Deloitte & Touche s.e.n.c.r.l. The firm is dedicated to helping its clients and its people excel. Deloitte is the Canadian member firm of Deloitte Touche Tohmatsu.

Deloitte refers to one or more of Deloitte Touche Tohmatsu, a Swiss Verein, its member firms, and their respective subsidiaries and affiliates. As a Swiss Verein (association), neither Deloitte Touche Tohmatsu nor any of its member firms have any liability for each other's acts or omissions. Each of the member firms is a separate and independent legal entity operating under the names "Deloitte," "Deloitte & Touche," "Deloitte Touche Tohmatsu," or other related names. Services are provided by the member firms or their subsidiaries or affiliates and not by the Deloitte Touche Tohmatsu Verein.

© Deloitte & Touche LLP and affiliated entities.



Member of
Deloitte Touche Tohmatsu