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**IMPACT OF INTERNATIONAL FINANCIAL REPORTING STANDARDS
(IFRS) ON THE SECURITIES INDUSTRY**

Richard Nunn
Partner
Deloitte and Touche

Erez Seiler
Senior Manager
Deloitte and Touche

Deloitte.

IFRS – Impact on the Securities Industry

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Richard Nunn

Erez Seiler



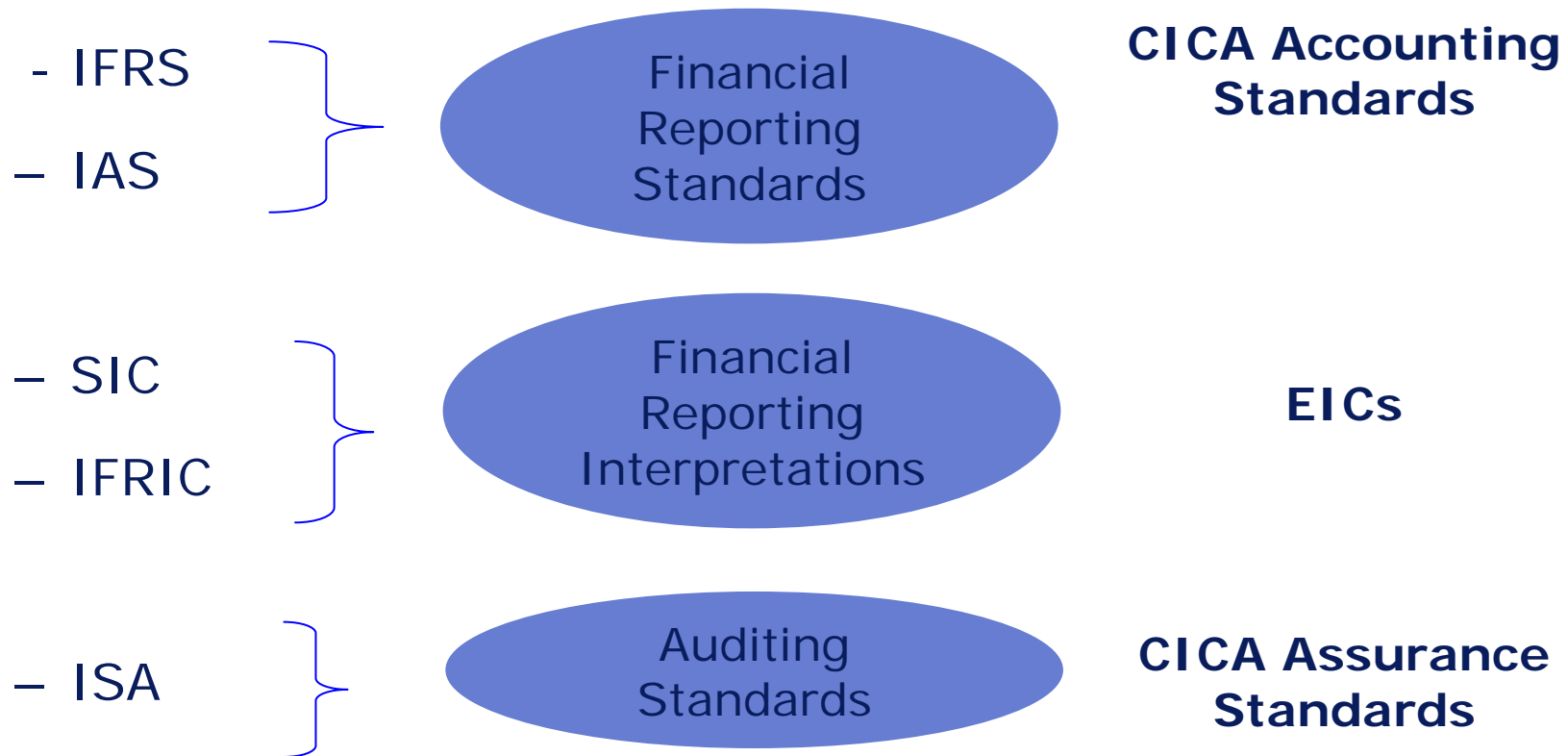
Agenda

- Introduction
- What is IFRS
- Wider perspective
- IFRS conversion: Timelines
- Converting timelines into a conversion plan
- Focus areas : 4 points
- Implications for the Securities Industry
- Financial Instruments – round 2
- 10 questions to ask yourself
- Questions?

What is IFRS

International Financial Reporting Standards

- Based on International Accounting Standards
- Established by the IASB



Impact of adoptions: International experience

- 2005 – Conversion Deadline for EU listed companies
 - Were they ready?
 - Was there any impact?



GlaxoSmithKline

“Restatement is Bitter Pill for Glaxo”

GlaxoSmithKline, one of the world's largest pharmaceutical companies, has revealed a £394m dip in earnings under the new IFRS reporting rules.

Announcing year-end results for 2004, the company took the chance to restate the information under international financial reporting standards to prepare the investor and analyst community before GSK begins to report fully under the new rules.



Vodafone PLC

"Red ink is turning black overnight -- and vice-versa - - as companies adopt one standard for financial reporting"

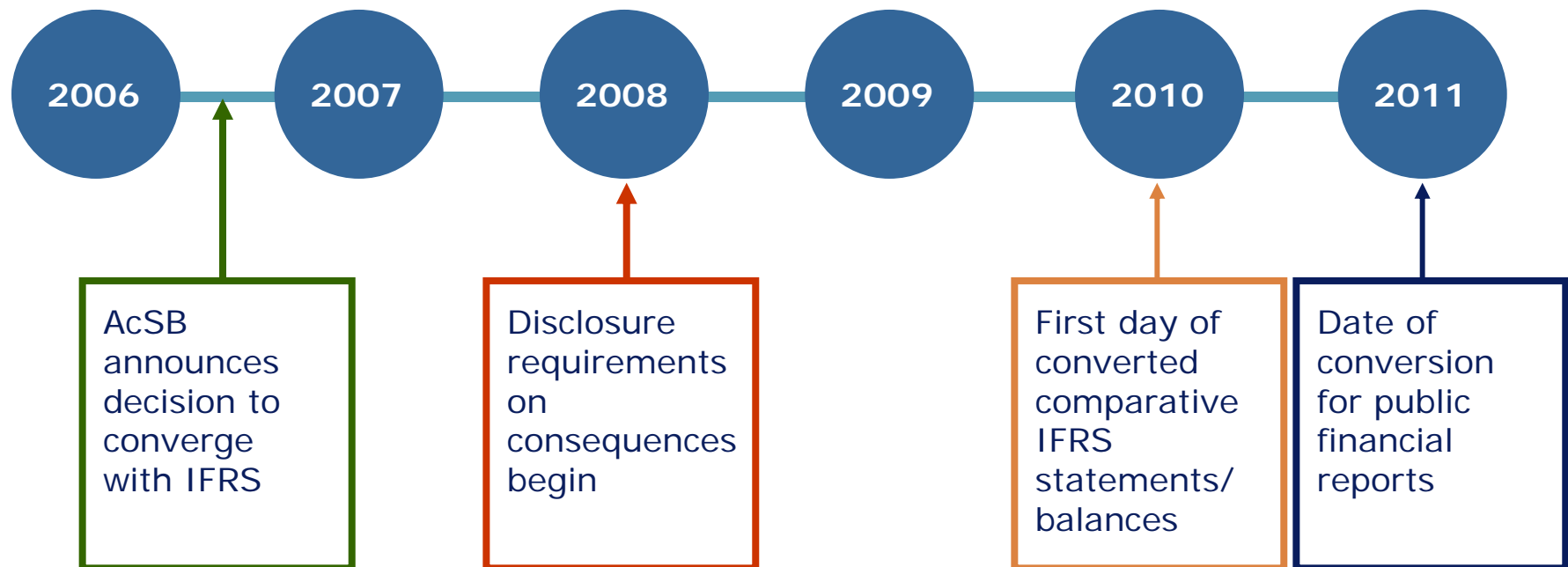
On Jan. 20, Vodafone Group PLC (VOD) achieved the impossible. It turned a \$10 billion loss for 2004 into a \$17 billion net profit overnight. Managerial magic? Monumental book-cooking? Not quite. The Newbury (England) mobile-phone operator turned red ink into black simply by applying International Financial Reporting Standards (IFRS) to its balance sheet.



A Wider Perspective – Far more than just accounting

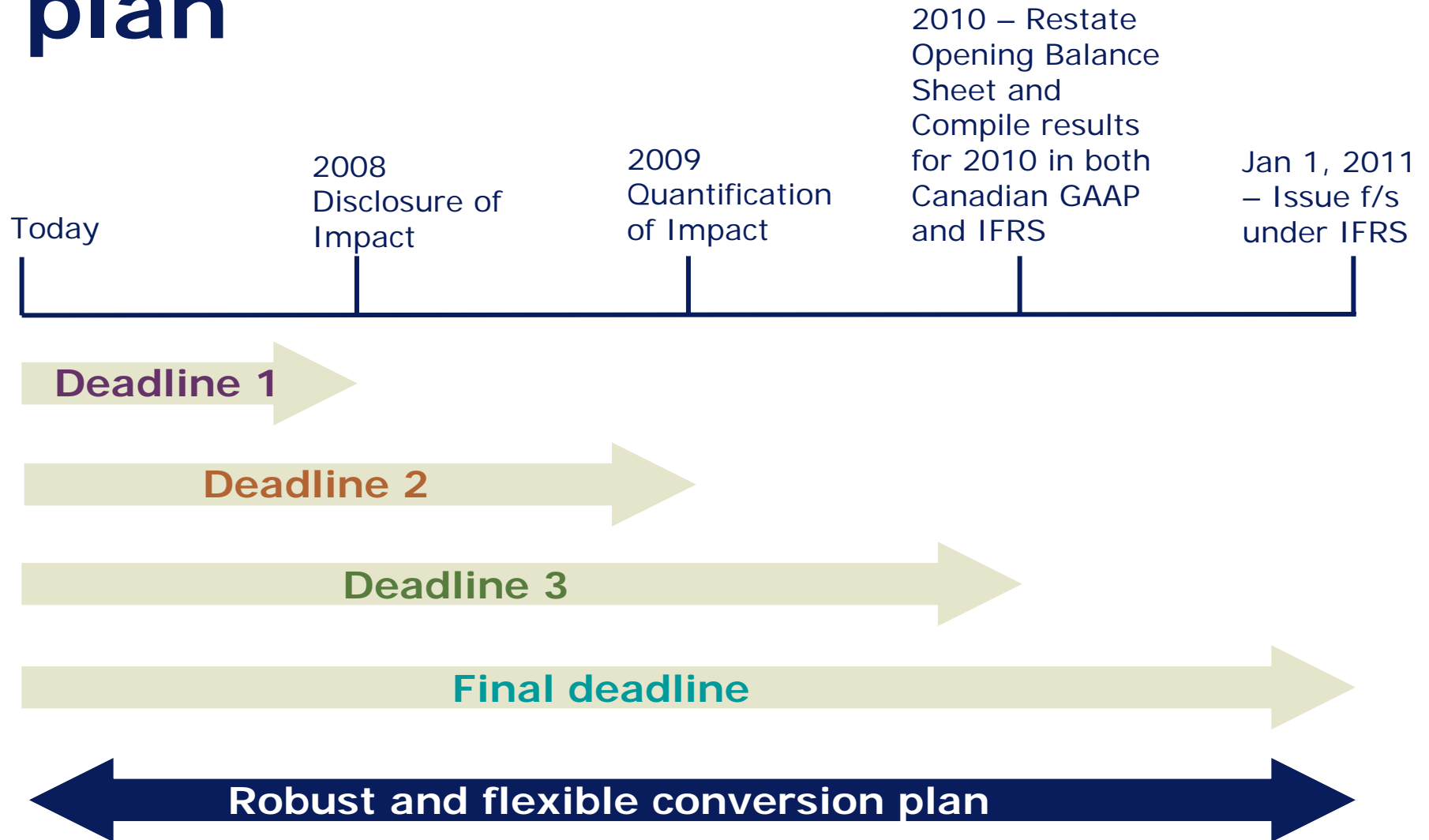


IFRS conversion: Timelines



(dates mark beginning of calendar year)

“Converting” the AcSB timelines into a conversion plan



“Converting” the AcSB timelines into a conversion plan (continued)

- Key milestones to reach before Deadline 1 (Disclose impacts)
 - Form implementation team
 - Train key finance personnel in IFRS
 - Consider audit committee training
 - Perform initial research and analysis on IFRS
 - Identify and understand significant IFRS – Canadian GAAP differences
 - These will form the basis for your disclosures
 - Make high level policy choices for key standards
 - Careful analysis of the pros and cons of available policy choices will be beneficial in the long run

“Converting” the AcSB timelines into a conversion plan (continued)

- Key milestones to reach before Deadline 1 (continued)
 - Obtain senior management and audit committee/board input and approval on proposed policy choices
 - Determine extent and format of disclosures
 - Have all relevant stakeholders review and provide input on proposed disclosures
 - Consider reviewing disclosures made by European Union companies that converted to IFRS in 2005
 - Develop a robust and flexible implementation plan and identify which timelines are most restrictive
 - i.e. if systems changes will take 18 months to code, test and implement you know that you have to complete system specifications at least 18 months before your test run date

“Converting” the AcSB timelines into a conversion plan (continued)

- **Key milestones to reach before Deadline 2 (Quantify impacts)**
 - Complete assessment of IFRS-Canadian GAAP differences and document conclusions on major differences
 - Review and finalize major policy choices for key standards
 - Review and finalize IFRS 1 elections (monitor IASB and AcSB activities)
 - Continue internal IFRS training programs
 - Develop and test methodologies to calculate estimate of potential impact. For example:
 - Balances adjusted to fair value
 - Recognition or reversal of impairments

“Converting” the AcSB timelines into a conversion plan (continued)

- **Key milestones to reach before Deadline 2 (continued)**
 - Formalize timing for quantification
 - Will this be done consecutively with the 2009 year end close?
 - Identify quantifications that can be completed prior to the year end to mitigate pressure on year end
 - Consider implications of items which cannot be quantified/estimated
 - Conclude on systems solution for transition period and post-convergence period
 - Conclude on subsidiaries, joint ventures and other entities that will be included in your consolidated financial statements
 - Start developing internal controls and disclosure controls
 - Update implementation plan and timing

“Converting” the AcSB timelines into a conversion plan (continued)

- **Key milestones to reach before Deadline 3 (Restate January 1, 2010 opening balance sheet)**
 - Determine method to track IFRS results and Canadian GAAP results throughout fiscal 2010 for annual and quarterly information
 - Will you prepare them simultaneously, consecutively or prepare all comparative IFRS financial information at end of period?
 - How will you document and track IFRS results (in G/L or on spreadsheets)
 - How will you address US GAAP reconciliation requirements, if applicable (IFRS-US GAAP differences to be tracked)
 - Develop referral instructions for subsidiaries and different geographic locations to track financial statement information for both GAAPs – including enhanced disclosures required under IFRS

“Converting” the AcSB timelines into a conversion plan (continued)

- **Key milestones to reach before Deadline 3 (cont’d)**
 - Complete systems enhancement plan
 - Review final policy choices and conclusions for all standards
 - Monitor convergence activities for changes to IFRS pre-convergence
 - Determine impacts on operations other than financial statements (discussed later)
 - Update implementation plan and timing

“Converting” the AcSB timelines into a conversion plan (continued)

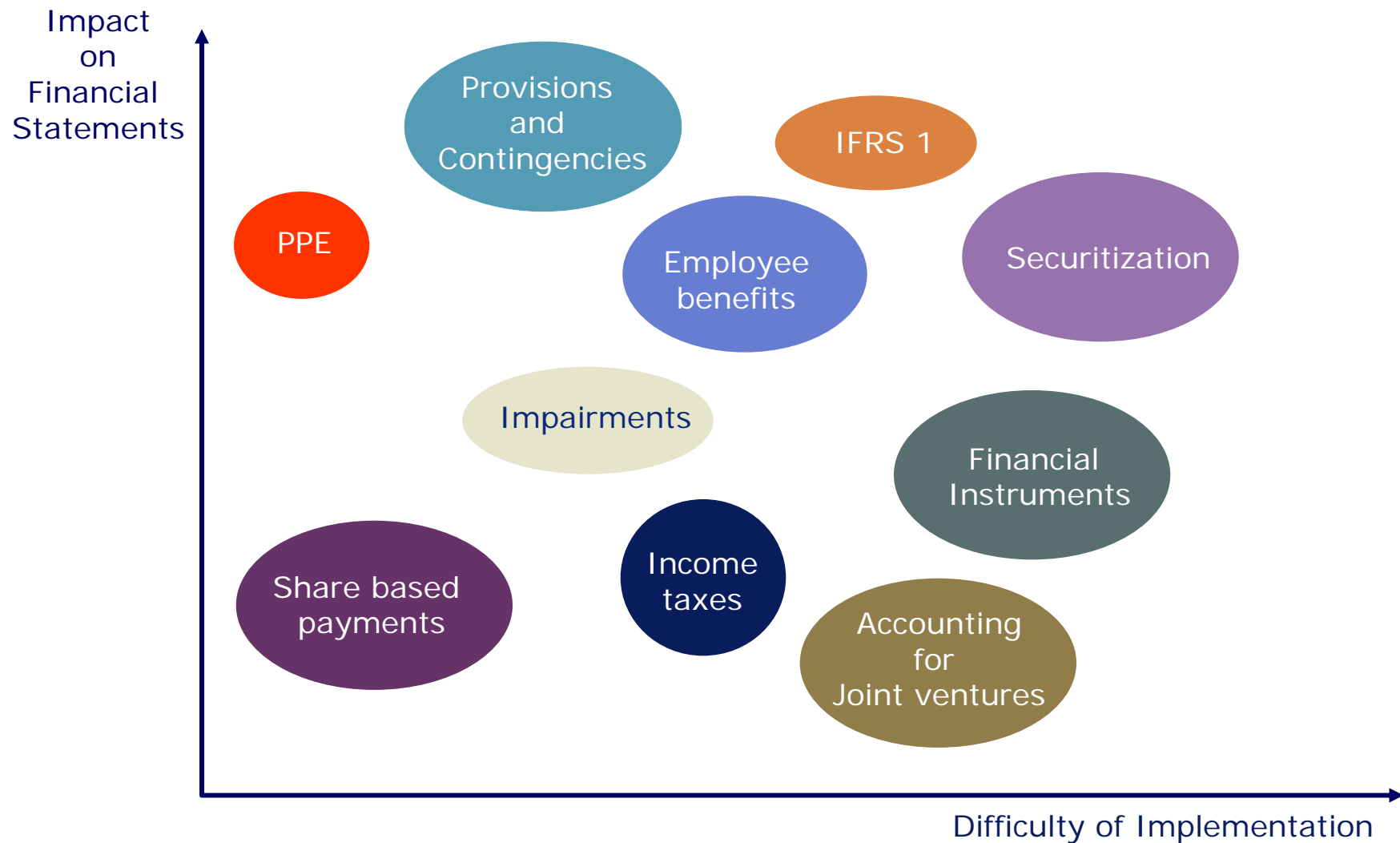
- Key milestones to reach before Final Deadline (Go live January 1, 2011)
 - Test all system changes and amendments
 - Finalize financial statement format including disclosures
 - Obtain audit committee approval/sign-off
 - Complete operational changes required by convergence to IFRS
 - Complete amendments to MD&A format and disclosures
 - Complete documentation of policy choices/elections/issues
 - Reconcile Canadian GAAP-IFRS transition entries/results as a check of accuracy

Focus areas: 4 points

Consider those matters which:

Priority	Example
<p>Needs attention now:</p> <p>Significant differences between Canadian GAAP and IFRS which are not converged prior to 2011</p>	<p>The de-recognition model for asset securitization may significantly impact the business. Fair value through income statement of real estate/investment property, Impairment model (including reversal of prior impairments), Equity accounting for joint ventures.</p>
<p>Needs attention later:</p> <p>Areas where no significant difference between Canadian GAAP and IFRS exists</p>	<p>Classification of financial assets into held for trading, available for sale. Changes in accounting policies/estimates and revenue recognition.</p>
<p>To be converged:</p> <p>Areas where Canadian GAAP will be converged with IFRS ahead of 2011</p>	<p>Business combinations ("full" fair value model, expensing of direct costs of acquisition as incurred)</p>
<p>Disclosures:</p> <p>Items where additional disclosure requirements apply under IFRS</p>	<p>Related parties – disclosure of management compensation, disclosure of fair values of real estate, statement of recognized income and expenses.</p>

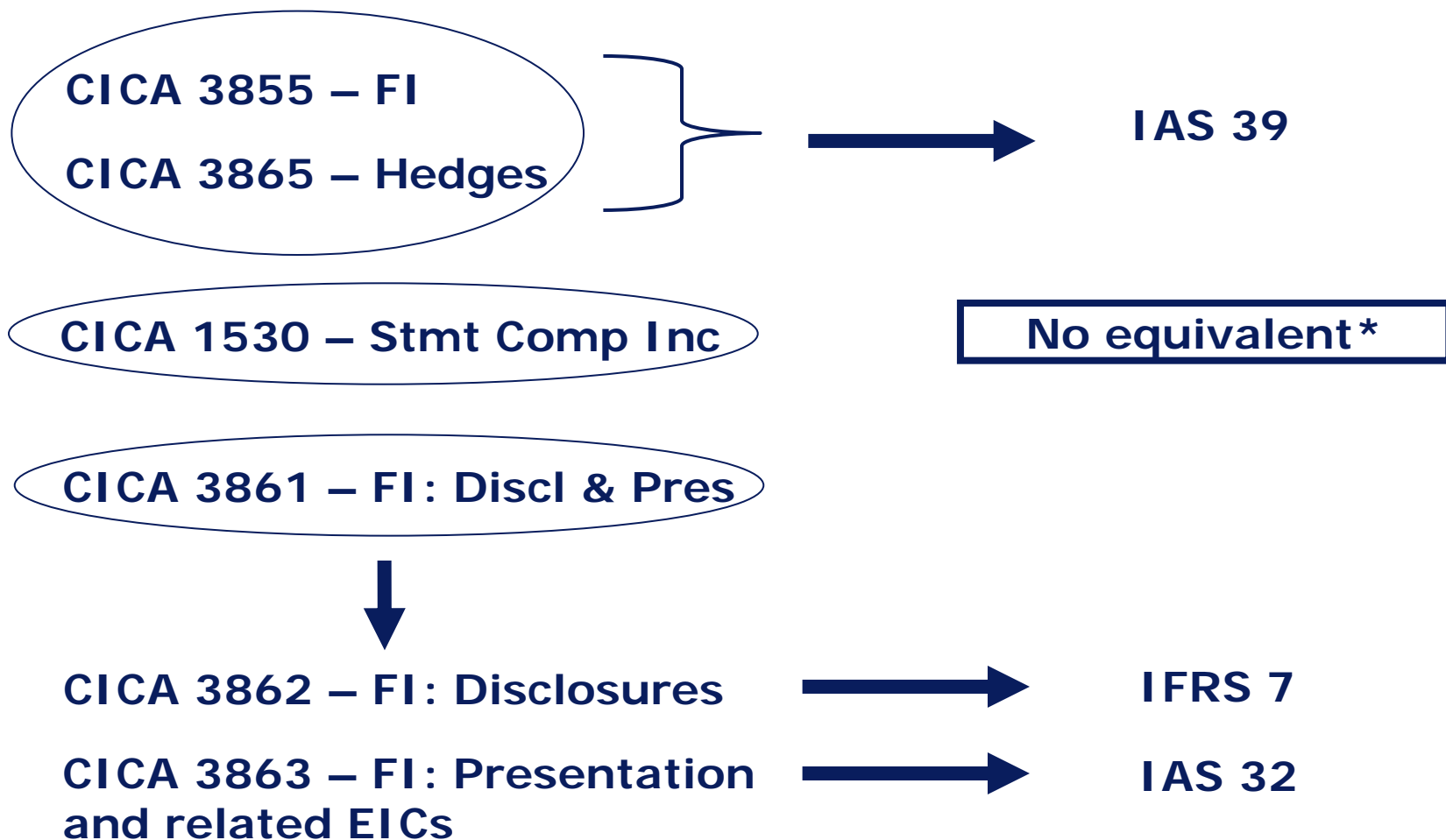
Example – Impact on Securities Industry



Financial Instruments



Financial Instruments – Overview



* No stmt of comprehensive income; however, items are still recorded in equity under IFRS that would otherwise be recorded in OCI under Cdn GAAP

Financial Instruments - Differences: Scope

Issue	Canadian GAAP	IFRS
Guarantees	<ul style="list-style-type: none"> Financial guarantee contracts generally subject to CICA 3855 Related party guarantees are excluded 	<ul style="list-style-type: none"> Some differences in financial guarantees elected to be accounted for as insurance No such exemption for related party guarantees
Pension Plans	<ul style="list-style-type: none"> Explicit exemption for pension plans subject to CICA 4100 	<ul style="list-style-type: none"> No such scope exemption

Financial Instruments - Differences: Classification

Issue	Canadian GAAP	IFRS
Held-for-trading	<ul style="list-style-type: none"> Choice to use HFT category has no limitations (although OSFI Guideline D-10 has some restrictions for regulated entities) 	<ul style="list-style-type: none"> Fair value option restrictions exist
Loans and receivables v. debt securities	<ul style="list-style-type: none"> US GAAP "form" based determination of loans versus securities 	<ul style="list-style-type: none"> More flexibility about classification of instruments as loans/receivables versus securities

Financial Instruments - Differences: Fair Value Measurement

Issue	Canadian GAAP	IFRS
Available-for-sale equity securities when no quoted market price exists	<ul style="list-style-type: none"> Recorded at fair value as long as fair value is readily determinable 	<ul style="list-style-type: none"> Recorded at cost
De-recognition model or asset securitization	<ul style="list-style-type: none"> Asset sold and a gain recognized. Impacts sale of less than a 100% co-ownership interest structures. 	<ul style="list-style-type: none"> No longer qualify for sale treatment or may require revenue recognition under "continuing involvement model".
Impairment on financial assets	<ul style="list-style-type: none"> Cannot be reversed until sale or disposal 	<ul style="list-style-type: none"> Can be reversed

Financial Instruments - Differences: Fair Value Measurement (continued)

Issue	Canadian GAAP	IFRS
Transaction costs for items other than HFT/FVTPL	<ul style="list-style-type: none"> Policy choice to add to carrying value of financial instrument or expense immediately 	<ul style="list-style-type: none"> No policy choice – must be added to carrying value of financial instrument
FX translation gains/losses on monetary available-for-sale securities	<ul style="list-style-type: none"> Recorded in OCI as it is part of the change in fair value gains/losses 	<ul style="list-style-type: none"> Separately recorded to P&L, not equity

Financial Instruments - Differences: Embedded Derivatives

Issue	Canadian GAAP	IFRS
Normal purchase/ expected usage	<ul style="list-style-type: none"> • Must document basis for eligibility to be excluded. Cannot document basis if there is an embedded derivative which is not closely related 	<ul style="list-style-type: none"> • Automatically scoped out if contract will be used in the normal course and won't be "settled net in cash"
Currency "commonly used" in economic environment	<ul style="list-style-type: none"> • Policy choice on how to account for embedded foreign currency derivatives linked to currency "commonly used" in economic environment 	<ul style="list-style-type: none"> • Such embedded foreign currency derivatives are automatically exempted
Grandfathering date	<ul style="list-style-type: none"> • Policy choice on transition date for embedded derivatives no later than the beginning of the fiscal year ending March 31, 2004 	<ul style="list-style-type: none"> • No grandfathering date allowed – therefore, all embedded derivatives must be accounted for according to the standard

Financial Instruments - Differences: Disclosure and Presentation

Issue	Canadian GAAP	IFRS
Scope	<ul style="list-style-type: none"> See CICA 3861 scope 	<ul style="list-style-type: none"> Broader than Canadian GAAP – treasury shares; certain elections to acct for financial guarantee contracts as insurance
Measurement of compound financial instruments	<ul style="list-style-type: none"> Choice between 3 alternatives 	<ul style="list-style-type: none"> Must fair value liability and embedded derivative components first and allocate residual to equity
Many more specific issues	<ul style="list-style-type: none"> Some issues are explicitly addressed in 3861 or EICs; others are not addressed 	<ul style="list-style-type: none"> Presentation as liability or equity may differ from Canadian GAAP on many occasions

IFRS standards and interpretations

IFRS 1 First-time Adoption of International Financial Reporting Standards

IFRS 2 Share-based Payment

IFRS 3 Business Combinations

IFRS 4 Insurance Contracts

IFRS 5 Non-Current Assets Held for Sale & Discontinued Operations

IFRS 6 Exploration for and Evaluation of Mineral Resources

IFRS 7 Financial Instruments: Disclosures

IFRS 8 Operating Segments

IAS 1 Presentation of Financial Statements

IAS 2 Inventories

IAS 7 Cash flow Statements

IAS 8 Accounting Policies, Changes in Accounting Estimates & Errors

IAS 10 Events after Balance Sheet Date

IAS 11 Construction Contracts

IAS 12 Income Taxes

IAS 14 Segment Reporting

IAS 16 Property, Plant and Equipment

IAS 17 Leases

IAS 18 Revenue

IAS 19 Employee Benefits

IAS 20 Accounting for Government Grants and Disclosure of Government Assistance

IAS 21 The Effects of Changes in Foreign Exchange Rates

IAS 23 Borrowing Costs

IAS 24 Related Party Disclosures

IAS 26 Accounting and Reporting by Retirement Benefit Plans

IAS 27 Consolidated & Separate Financial Statements

IAS 28 Investment in Associates

IAS 29 Financial Reporting in Hyperinflationary Economies

IAS 31 Interests in Joint Ventures

IAS 32 Financial Instruments – Presentation

IAS 33 Earnings Per Share

IAS 34 Interim Financial Reporting

IAS 36 Impairment of Assets

IAS 37 Provisions, Contingent Liabilities & Contingent Assets

IAS 38 Intangible Assets

IAS 39 Financial Instruments - Recognition & Measurement

IAS 40 Investment Property

IAS 41 Agriculture

IFRIC 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities

IFRIC 2 Members' Shares in Co-Operatives Entities and Similar Instruments

IFRIC 4 Determining Whether An Arrangement Contains a Lease

IFRIC 5 Rights to interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

IFRIC 6 Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment

IFRIC 7 Applying the Restatement Approach under IAS 29

IFRIC 8 Scope of IFRS 2

IFRIC 9 Reassessment of Embedded Derivatives

IFRIC 10 Interim Financial Reporting and Impairment

IFRIC 11 IFRS 2 - Group and Treasury Share Transactions

IFRIC 12 Service Concession Arrangements

SIC 7 Introduction to the Euro

SIC 10 Government Assistance – No Specific Relation to Operating Activities

SIC 12 Consolidation - Special Purpose Entities

SIC 13 Jointly Controlled Entities - Non-monetary Contributions by Venturers

SIC 15 Operating Leases – Incentives

SIC 21 Income Taxes - Recovery of Revalued Non-Depreciable Assets

SIC 25 Incomes Taxes - Changes in the Tax Status of an Entity or its Shareholders

SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease

SIC 29 Disclosure - Service Concession Arrangements

SIC 31 Revenue - Barter Transactions Involving Advertising Services

SIC 32 Intangible Assets - Web Site Costs

10 questions to ask yourself

1. Is IFRS on your finance strategic planning agenda?
2. Do you or any other staff members have IFRS experience?
3. Have you considered how to develop and implement a comprehensive education/training program for your organization?
4. Have you appointed a project manager?
5. Have you considered that IFRS may result in the need to rewrite/redraft significant aspects of your accounting policies and procedures?
6. Have you determined how IFRS may impact the timing and amount of reported earnings?
7. Have you updated other members of the management team, Audit Committee and/or Board members on the possible impact of IFRS?
8. Have you considered how IFRS may impact agreements, covenants, taxes, compensation plans, IT, disclosures and internal controls, etc?
9. Have you determined who should be on the implementation team? Consider representation from tax, IT/systems, budgeting, investor relations, etc?
10. How early should you start preparing for the required disclosures in 2008 and 2009, and for conversion in 2010 and 2011?

Questions



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