



IFRS in Canada An external focus

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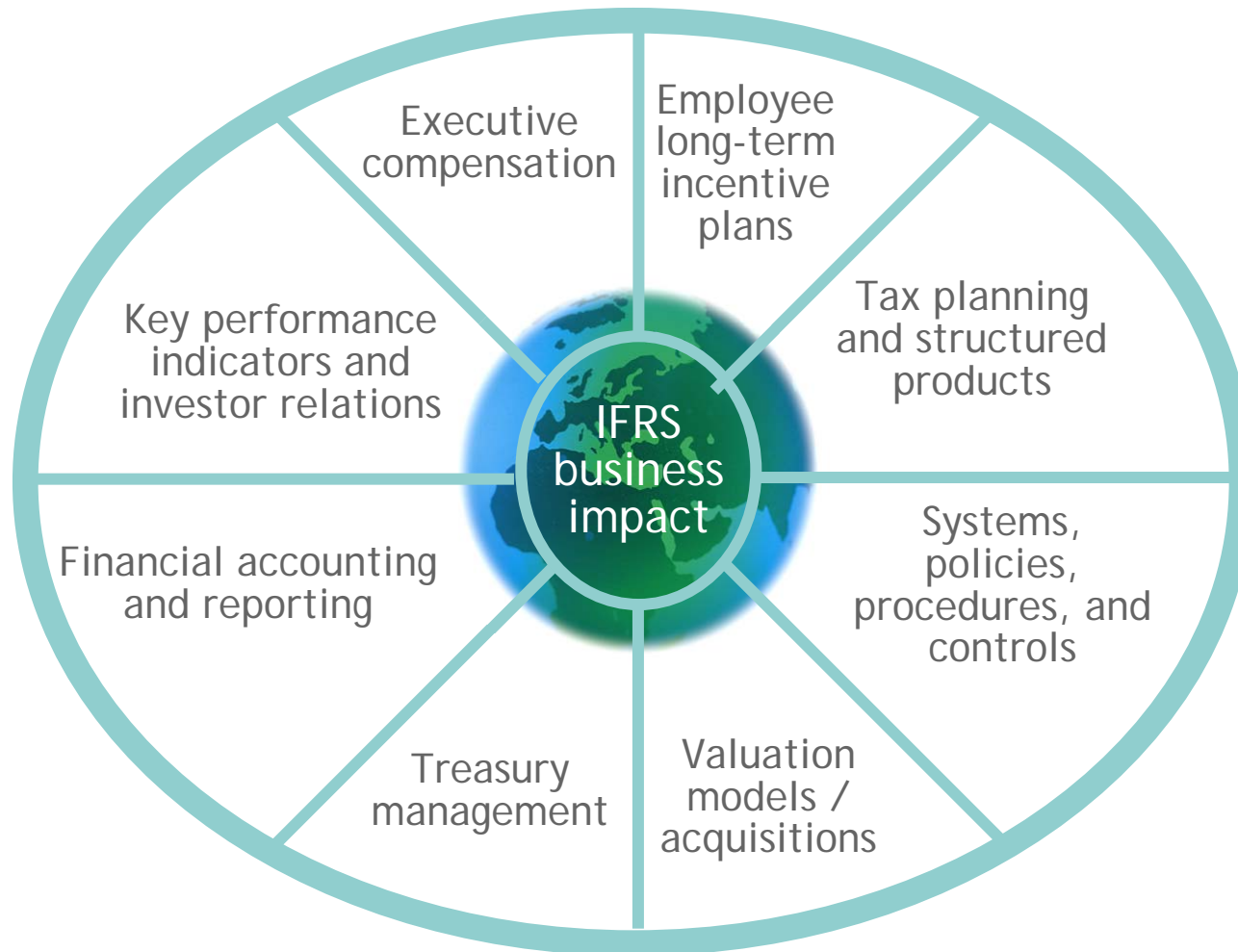
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Success Considers External Parties



Example- metrics from your next acquisition (corporate development group and analysts)

- ▶ All transaction costs, e.g., legal, valuation and other fees must be expensed
- ▶ Minority interest measured at fair value, a component of equity and not a deduction from net income
- ▶ Could affect whether the acquisition is ‘accretive’ in the accounting sense
- ▶ Consider IFRS 1 transition alternatives now in connection with future acquisitions

Example- your creditors and debt agreements

- ▶ GAAP = Canadian GAAP as in effect from time to time (GAAP will still exist, as CICA will incorporate IFRS into the CICA Handbook)
- ▶ Unless defined, all terms of accounting and financial nature are construed in accordance with GAAP
- ▶ “Effect of a Change in GAAP”- this is a super change
- ▶ If GAAP changes:
 - ▶ Negotiate in good faith to revise ratios and covenant to reflect GAAP in effect
 - ▶ Lenders must approve changes
 - ▶ Prospectively apply approved changes
- ▶ “Adjusted Tangible Net Worth”- effect of consolidation accounting and property plant and equipment

Example- A little help from your friends

- ▶ Full-cost pools utilized by large number of Canadian O&G companies
- ▶ Fair value as deemed cost not considered viable
- ▶ Complexity, estimation and use of hindsight expected to be involved in unwinding cost pools to restate historic cost
- ▶ Proposal to the IASB for an amendment to IFRS 1:
 - ▶ Write-off of pre-licence costs and other costs not compliant with IFRS 6
 - ▶ Allocate part of remaining historic cost pool to unproved properties (“E&E Assets”)
 - ▶ Allocate non E&E cost pool to assets/components based on reserves or a similar basis
- ▶ Submission made and discussed at IASB in March
www.iasb.org
- ▶ Drafting commenced for an ED to amend IFRS 1
- ▶ Other work occurring at CAPP, some of which will be helpful to successful efforts issuers

Next steps

- ▶ Inventory your relationships
- ▶ Identify contractual, reliance and implied relationships
 - ▶ Current state
 - ▶ Expiries and new understandings
- ▶ Examine each and ask how IFRS changes a variable
- ▶ Make this an integral part of the implementation plan
 - ▶ Based on preceding examples, consider legal, IR and corporate development representation on the team
 - ▶ Consider other individuals based on other stakeholders in your financial information