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IFRS READINESS IN CANADA

CFERF Executive Research Report

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CFERF gratefully acknowledges the efforts of our survey respondents and our forum participants who took valuable time away from their day jobs to participate in this work. It is also our good fortune to have benefited from consultations with two FEI Canada advisory committees, The Committee on Corporate Reporting (CCR) and the Issues and Policy Advisory Committee (IPAC) in the preparation of the IFRS Readiness Survey, as well as the invaluable and ongoing input of Rafik Greiss, Partner and Canadian IFRS Leader at Ernst & Young. We would also like to make special mention of the valued participation at the CFERF Executive Research Forum of Dr. Barry Gorman, Forum Chair and Chairman of the Board of CFERF, and Alister Cowan, CFO of BC Hydro and Chairman of the CCR. We are particularly grateful to our research sponsors, Ernst and Young, without whom this study would not have been possible.

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In 2011, any Canadian publicly accountable company will be required to report their financial results using the International Financial Reporting Standards (IFRS) as opposed to Canadian GAAP. These include publicly listed companies; enterprises with fiduciary responsibilities such as banks, insurance companies, credit unions, securities firms, mutual funds and investments; crown corporations and other government business enterprises. The Accounting Standards Board (AcSB) is also currently considering options for changes in GAAP for private companies.

The conversion to IFRS for publicly accountable companies and private companies alike will have significant impacts not only on financial reporting, but on broader business issues that extend across the entire organization. Financial executives are concerned about what those will be and how best to manage them. This research begins to fill the gap in the literature surrounding the state of IFRS Readiness in Canada. In so doing, it attempts to identify current issues and challenges, and potentially emerging best practices from the leaders in the IFRS conversion process.

Anecdotal information suggests that not many Canadian companies are far down the path to IFRS conversion. In doing this research we provide both statistical and qualitative evidence that suggests that is generally true. Our survey shows that relatively few senior finance executives are aware of the differences between IFRS and Canadian GAAP, and consequently, most have yet to brief their audit committees. The majority are nowhere near prepared for conversion at this point in time, haven't calculated the conversion costs, and don't know if their systems can handle the job. (This holds true for both private and public companies.) In spite of that, financial executives do not want the 2011 conversion deadline to be extended.

Of the wide array of sectors covered in this study, rate regulated industries in Canada are the furthest into the IFRS conversion process, followed by banks and mining and oil and gas extraction companies. Manufacturing companies are among the slowest sectors to start the conversion process.

Many companies plan on evaluating the impacts of conversion themselves, however, most believe they don't have a good understanding of the issues surrounding the assessment. The level of understanding varies widely according to industry, and the nature of the issue in question. For example, most financial executives believe that they don't have a grasp on the implications for revenue recognition. This is true in most sectors with the exception of utilities, oil and gas and telecom. Similarly the broader business implications of IFRS are still unknown to most companies, but manufacturing firms tend to be in a worse position relative to other industry groups.

We asked senior financial executives to tell us, in their own words, what they perceived to be the single biggest issue surrounding IFRS implementation. Their responses capture a wide range of concerns, however two dominant themes emerged surrounding resource and time constraints, and the education and training of those who will be evaluating and implementing the conversion to IFRS.

Most senior finance executives in our survey agree that their staff is not prepared to conduct the work required for IFRS conversion. In addition, financial executives didn't know where to turn to for training; they perceived that much of the material available to date on the accounting impacts of IFRS were vague. They were also concerned about the additional expenses they would incur to hire external experts to get them up to speed. The constraints on personal time as well as staff time were also significant issues, given current efforts to meet CSA internal control certification requirements.

Many respondents were concerned about uncertainty as it related to the total cost of conversion, and IT costs specifically. They were also somewhat worried about the laissez faire attitudes that their boards had to the convergence issue as a whole, and by extension, how they were going to explain and justify additional costs – costs which they weren't even aware of yet themselves.

Others suggested that they were unclear as to the overall benefit of converting to IFRS compared to the potential costs associated with implementation. Some were concerned that the IFRS lacked credibility and questioned whether it will result in better information, disclosure and consistency. The issue of how and when to communicate changes in financial reporting to the investor community also emerged as a major concern to many financial executives in our study. Also the evolving nature of many of the IFRSs was problematic as respondents indicated they weren't sure of what they were working towards.

While these were the major concerns voiced by many individuals, specific accounting and industry issues also reoccurred. These included:

GENERAL ACCOUNTING ISSUES

- how the Canada Revenue Agency will want tax adjustments resulting from restated financials treated;
- determining the opening balance sheet and choosing one of several alternative positions on the date of conversion;
- capital asset segmentation into component parts i.e. what level of granularity will be required;
- valuation of assets to fair value;
- the work involved in and impacts of restating historical information; and
- for Canadian subsidiaries - ensuring alignment with foreign parents.

OIL AND GAS

- how to evaluate changes resulting from the application of IFRSs in the areas of property, plant and equipment;
- the oil and gas industry has not been appropriately addressed in the IFRS at this time;
- the ability to convert from a full cost accounting basis to a successful efforts basis of accounting; and
- the work involved in restating previous values for prospectus documents.

RATE REGULATED ENTITIES

- restating opening balances for items such as property, plant and equipment;
- the difficulty in planning the conversion for items not specifically addressed such as assets and liabilities; and
- a potential significant increase in reconciliations between IFRS and regulatory numbers for rate regulated entities.

INSURANCE COMPANIES

- the lack of a stable accounting platform for valuing insurance contracts.

PUBLIC SECTOR/NOT FOR PROFITS

- uncertainty as to whether public sector organizations will have to follow the same standards as all other publicly accountable enterprises;
- the ability of the health care industry, education system and not-for-profits to find the resources to convert their accounting systems to IFRS; and
- if and when IFRS will apply to not-for-profits.

PRIVATE COMPANIES

- confusion over whether or not small private companies would be required to report under IFRS, and if so, when; and
- the potential cost burden to small private enterprises.

While it's still very early days, companies who are ahead of the pack in implementing IFRS are taking a very methodical approach to conversion. Large companies are creating teams, are developing strategic implementation plans, and are now focusing on in-house IFRS training for their staff. However, these same companies encourage other firms not to proceed too quickly until they have a good handle on implications across the board. They also advise companies to work closely with an IFRS consultant and their auditors in order to come to consensus on accounting treatments well in advance of 2011. They also don't see auditor independence as an emerging issue.

At the same time these leaders recognize the shortage of accounting professionals who are skilled in IFRS and stress the importance of IFRS conversion talent remaining in-house. An evaluation of IT requirements is also high on the list of things to do well in advance, as IT systems will have to be adapted to accommodate the new accounting architecture, and IT professionals who also understand accounting are in short supply. When seeking external resources, they encourage companies to utilize the resources of their auditors. Some IFRS training companies are currently offering courses in the Canadian market; however, companies are advised to make sure that these trainers are well versed in Canadian GAAP as well as IFRS. It is also recommended that senior executives consider IFRS training as a detailed ongoing process, as opposed to a one off experience for their staff. Most companies at this time are learning by doing and are looking forward to additional direction and training resources from external providers and the accounting bodies. Universities are starting to incorporate IFRS into their programs and companies are encouraged to partner with academia wherever they can.

It is also important for the investor relations group to be engaged early on in the conversion process, with the aim of providing a clear message to the shareholders - at the right time. Most companies, particularly in the rate regulated industries, ecognize the difficulty in simplifying and communicating complex accounting changes to non-financial experts.

Last but not least, it is important for the Board/ audit committee to understand that IFRS will have broad company impacts. To this end, addressing IFRS conversion within an overall risk matrix could be helpful in demonstrating to the board that there could be bottom line implications going forward. For CFOs, the compensation implications of converting to IFRS should be made clear, and the board should be provided with the impacts of alternative metrics on the overall compensation evaluation process. For smaller companies, patience on the part of their Boards is paramount, as resource and time constraints can make IFRS conversion an arduous task, particularly for CFOs who *are* the accounting experts in their firms.

INTRODUCTION:

In 2011, any Canadian publicly accountable company will be required to report their financial results using the International Financial Reporting Standards (IFRS) as opposed to Canadian GAAP. These include publicly listed companies; enterprises with fiduciary responsibilities such as banks, insurance companies, credit unions, securities firms, mutual funds and investments; crown corporations and other government business enterprises. The Accounting Standards Board (AcSB) is also currently considering options for changes in GAAP for private companies, namely: a top-down approach based on public company GAAP, eliminating and modifying some IFRS requirements; the adoption of the International Accounting Standards Board's (IASB) proposed standards for small and medium-sized enterprises; and an independently developed set of Canadian standards for private enterprises that shares the same conceptual framework as IFRS.

This will not only have accounting and reporting implications, but strategic management implications across the entire company. Organizations who are now considering the changeover to the IFRS will be looking for strategic direction and analysis on the impacts on their companies, including: implications on their current lending agreements, taxation issues, executive compensation, debt covenants, profit sharing and employee incentive programs. Decision makers are also asking questions surrounding their legacy IT systems and the changes that will be required to accommodate the new financial reporting architecture. Investor relations professionals will be required to explain and communicate the implications of moving to the IFRS well in advance of 2011, so their shareholders are fully aware of the potential impacts on financial reporting. At the same time HR professionals will be determining the best approach for training, attracting and retaining finance professionals to handle the demand for finance people who understand the IFRS. The cost of conversion will also be an important consideration for budgeting purposes. While 2011 seems a long way away, the Accounting Standards Board is advising that public companies should be in a position to disclose their plans for convergence in 2008.

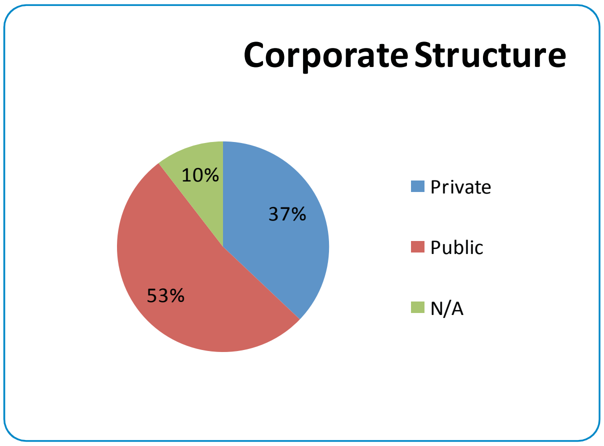
To date, much of the information available to Canadian decision makers has surrounded the accounting differences in the IFRS and Canadian GAAP. Our research begins to fill the gap in the literature surrounding the state of IFRS Readiness in Canada. In so doing, it attempts to identify best practices, current issues, and emerging challenges that companies of all sizes should be aware of in converting to IFRS. Please note that in this research we have not attempted to do a deep dive into sector specific accounting issues. We recognize that certain standards most important to rate regulated industries, insurance providers, and the oil and gas sector, are still evolving. While we do periodically focus on the views of the executives surveyed in these sectors, our aim is to provide a more general perspective of financial executives across many industry groups.

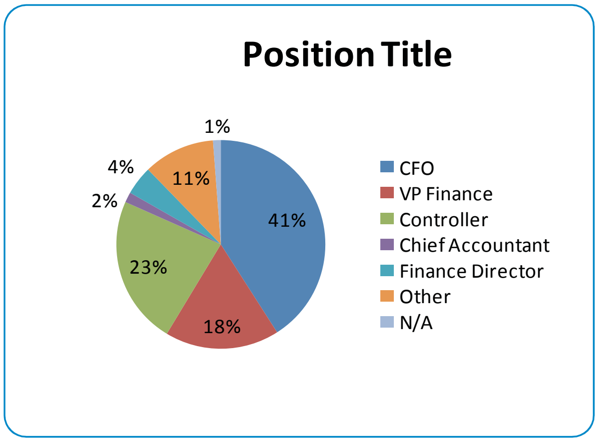
The IFRS Readiness – Executive Research Report was prepared by the Canadian Financial Executives Research Foundation (CFERF) and was sponsored by Ernst & Young. It comprises the results of a survey of senior financial executives across Canada and the insights obtained through an Executive Research Forum held in Toronto on February 15, 2008. The intent of the survey was to provide a wide view as to the state of IFRS Readiness in Canada as of February 2008. 510 responses were obtained over a period of two weeks. Survey results were compiled and analyzed on the basis of industry classification (large SIC groups), whether the company was private or public, and industry size based on revenue. Respondents were also categorized by position title.

The purpose of the Executive Research Forum was to allow for free flowing dialogue between company experts who were in various stages of IFRS implementation. A fairly broad section of Canadian industry was represented including, telecommunications, human resource consulting, academia, fisheries/manufacturing, public sector, insurance, hydro electric utilities, banking, life sciences/pharmaceuticals, pensions and benefits administration and consulting, investment management, and natural gas distribution. (The companies participating in the Forum component of this research are identified in Appendix A) The majority of companies that were selected were large and had a strategy for IFRS implementation in place. The extent to which these strategies had been rolled out varied across companies/industries. Major accounting, business and human resource implications also varied widely across industries, but several common themes emerged.

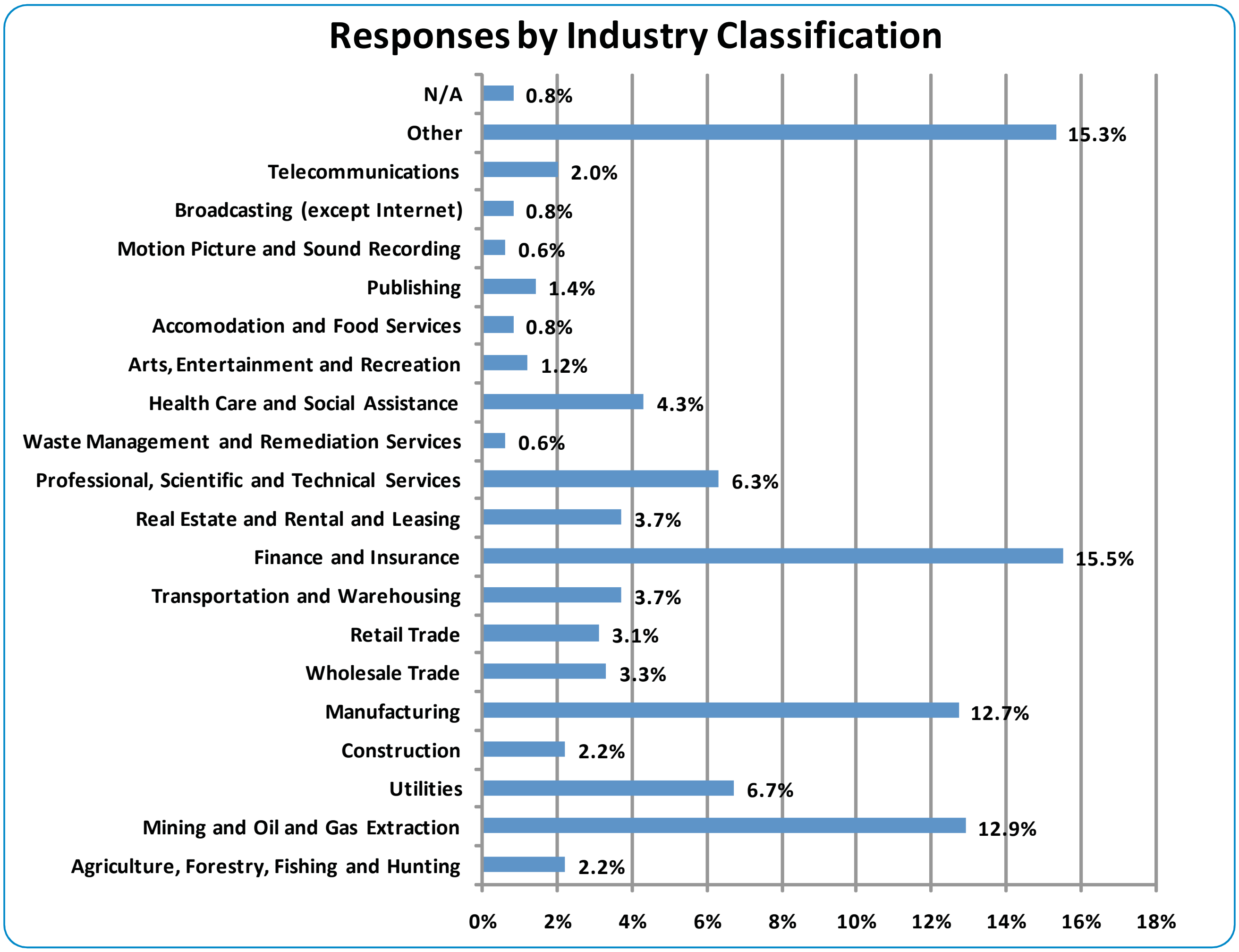
The following discussion will present the results of the IFRS Readiness Survey along with significant issues that were addressed in the Executive Research Forum, with the aim to provide insight for other Canadian companies, large and small, in reaching the 2011 IFRS conversion deadline. The wealth of information collected through our survey could not be reported in its entirety in this document. We therefore encourage all interested parties to contact us with particular detailed questions surrounding this report.

Five hundred and ten surveys were completed by finance executives across Canada. A large proportion of respondents were CFOs, 41%, followed by Controllers (23.1%) and VPs Finance (17.3%). Two hundred and sixty eight or 52.5% were from publicly listed companies, and 189 or 37.1% were from private companies.



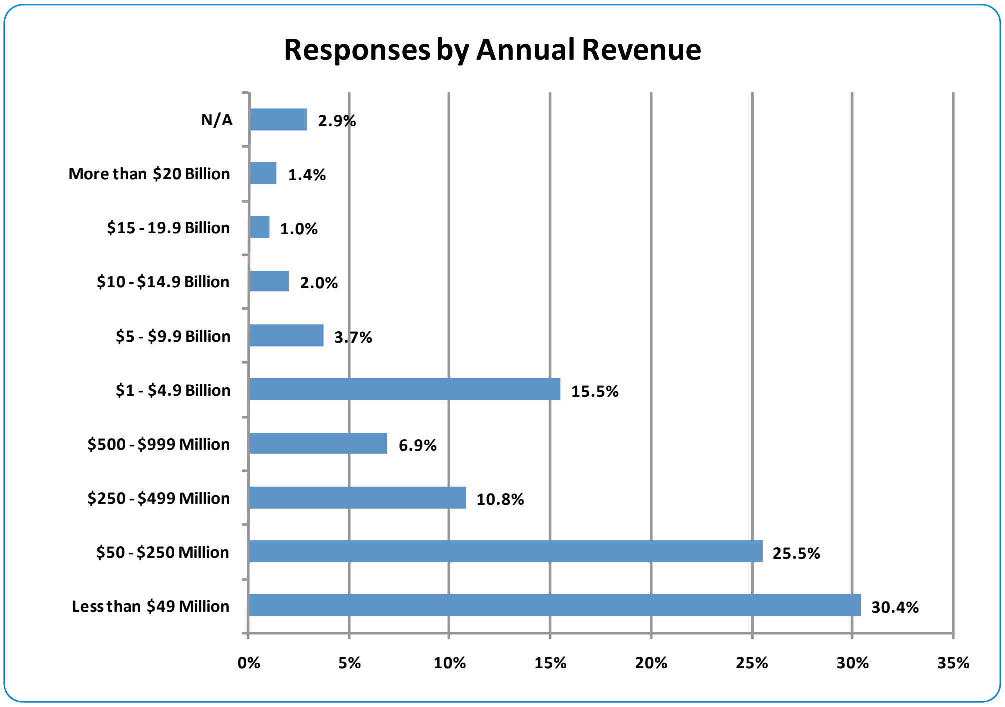


In order to determine if there were any differences in the state of IFRS readiness between industries, respondents were asked to identify their companies according to twenty large SIC groupings. The largest number of respondents were from the Finance and Insurance Sector (79), followed by Mining and Oil and Gas Extraction (66) and Manufacturing (65). Thirty four respondents were from the Utilities sector, 32 were from Professional, Scientific and Technology services, and 22 were from Health Care and Social Assistance. The remainder were distributed widely across industry groups.



A large proportion (30.4%) of respondents represented companies with revenues of $49 million or less. The second largest group fell in the $50-250 million range (25.5%) and 15.5% had revenues of between $1 and $5 billion. Forty one or 8% of companies represented corporations with revenues of over $5 billion, and seven respondents were from Canada's largest companies with over $20 billion in annual revenue. As expected, as revenues grew, companies were more likely to be publically listed than private. Of the 116 companies in our sample whose revenues exceeded one billion, 86 were public versus 20 that were private. Therefore, survey results for companies showing greater than one billion in revenue are mainly applicable to Canadian publically listed companies. This qualification will be made throughout the report.

It must also be said that almost 60% of the public companies responding had begun evaluating the impact of IFRS conversion. This compares with forty two percent of private companies that had made a start. It is therefore important to distinguish the opinions of respondents from these groups, on the basis that relatively more public companies than private will have had some experience with the implementation process.



A NOTE FROM THE ACCOUNTING STANDARDS BOARD OF CANADA - MARCH 2008

"Senior business people have heard a lot about IFRSs, so the high altitude awareness is certainly there. But how will reality play out on the ground?

These changes will present significant opportunities and risks, which can be taken advantage of or managed if planning starts early enough. Boards of Directors and senior management need to ensure that there is a team responsible for tailoring the application of IFRSs to their particular organization and operations. In light of the new financial reporting requirements, enterprises should review management reporting, the treasury function, systems and internal control, risk management, and education and training. Issues to be dealt with also include the basis for determining stock options and executive bonuses. Will there be an effect on agreements and covenants? Implementation teams should also keep a weather eye on the IASB's web site for new developments.

An important consideration will be the messages that senior management want to send out before and with the first set of IFRSs statements. Experience in the European Union when it changed over, indicated that disclosure considerations tended to come at the end of the process. The result was a lot of boilerplate and some difficulties communicating with investors and analysts.

Because they are principles-based, IFRSs often require an explanation of the choices and judgments management has made. Some of the supporting data behind these need to be collected throughout the period, not after the fact. The management discussion and analysis and other supplementary disclosures need to communicate clearly the company's perspectives in the context of the new financial statement information."

Relatively few senior finance executives are aware of the differences between IFRS and Canadian GAAP, and consequently, most have yet to brief their audit committees. The majority are nowhere near prepared for conversion at this point in time, haven't calculated the conversion costs, and don't know if their systems can handle the job. (This holds true for both private and public companies.) In spite of that, financial executives do NOT want the 2011 conversion deadline to be extended.

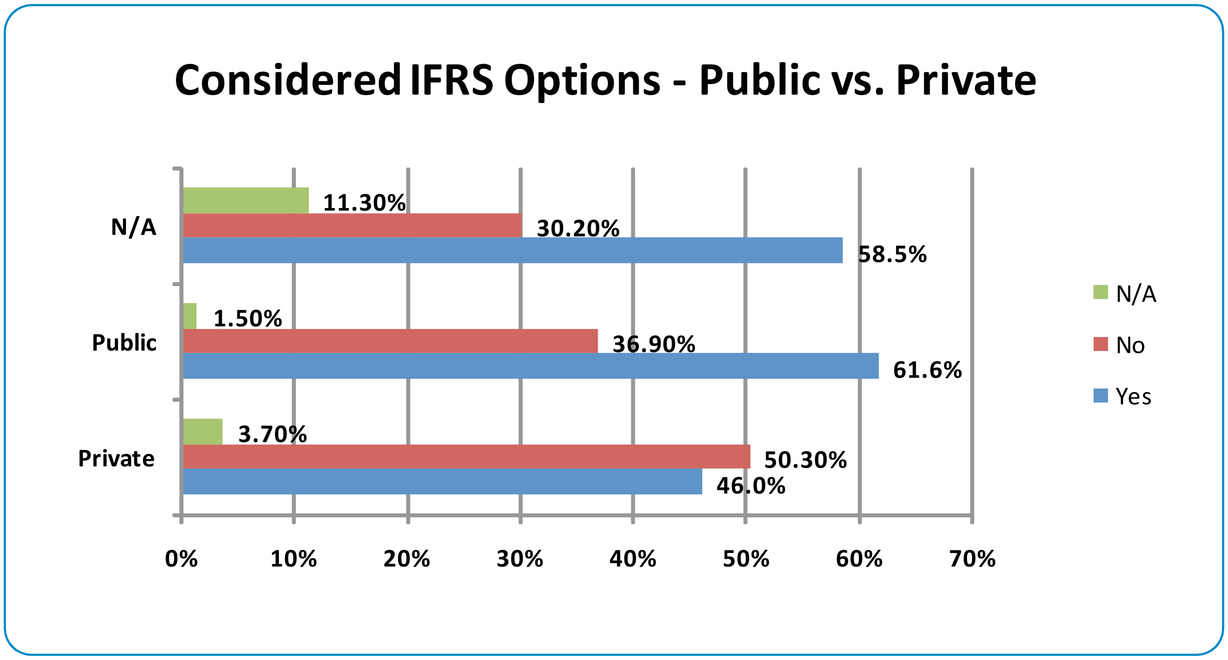
The vast majority of financial executives responding to this survey (78%) indicated that they have not completed the diagnostic of IFRS/Canadian GAAP differences. Results change only marginally depending on whether the company was private or public. Almost 60% reveal that as of February 2008, IFRS conversion was not a standing item on their audit committees' agenda and roughly 50% had yet to brief the committee on what the key areas of impact are going to be for their companies.

68% of respondents also admit that the incremental costs related to IFRS conversion (i.e. additional internal resources, education/training, external expert fees, systems changes and communications to shareholders) are not reflected in their latest budgets. In addition, almost 40% are not at all aware of what the IT systems implications are in converting to IFRS, roughly 85% reveal that no detailed conversion work has begun, including work on systems requirements, and 72% don't know if their current systems can run parallel sets of books in 2011.

Despite these challenges, when asked if they thought that the deadline should be extended, 280 or 54.9% of the senior finance executives in our survey said no, compared to 185, or 36.3% who said yes. For those that thought the deadline should be extended, one third opted for 2013 and roughly half thought the deadline should be extended beyond 2013. Not surprisingly, the majority (69.8%) of financial executives in our survey said that if permitted, they would not choose early adoption.

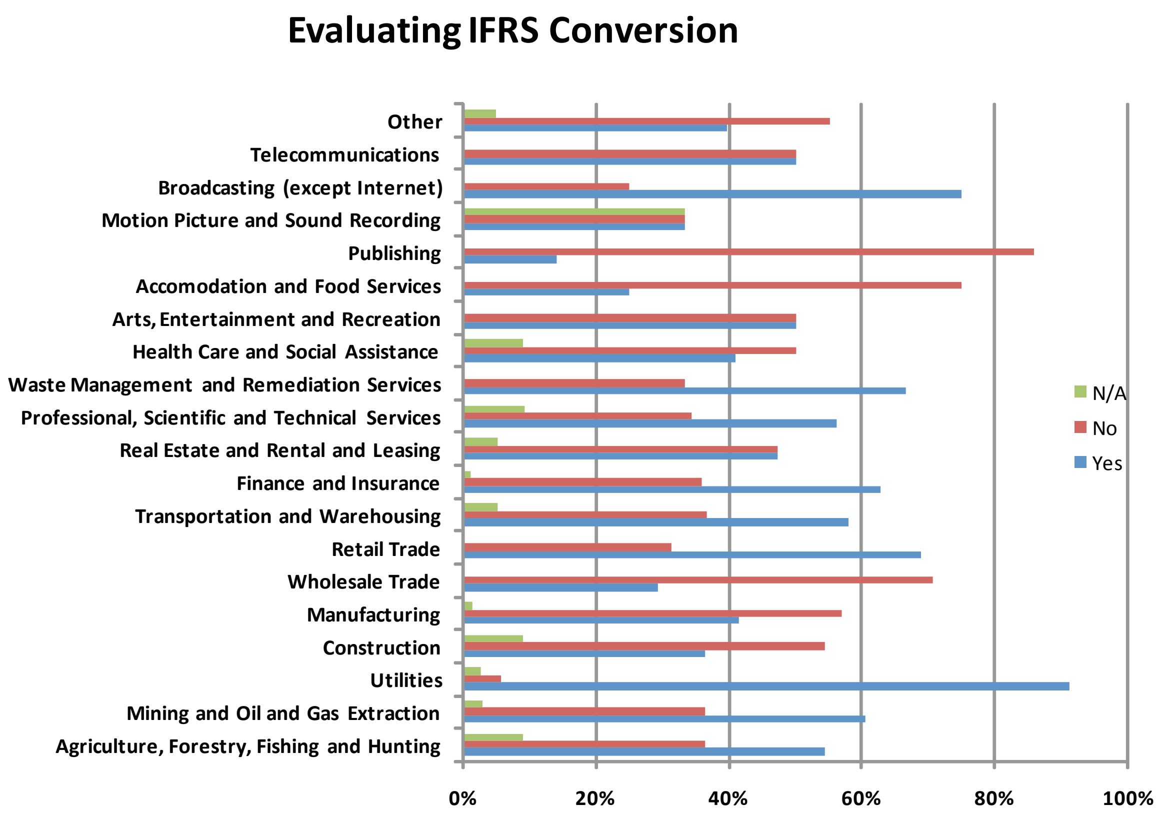
While IFRS is considered to be mainly a publicly accountable company issue at this time, many Canadian private companies in our sample are also evaluating their options. Forty six percent of finance execs from the private sector have read and considered the options under IFRS 1, compared to 61% from public sector companies.

Just over half (55%) of the total respondents to our survey have read and considered the options available on initial implementation as set out by IFRS 1, compared to 41.2% that had not. This is generally reflective in the specific results for CFOs, showing that roughly half had already considered the options under IFRS 1 and half that had not. The controllers in our sample closely mirror their CFO bosses. However, it is our VP finance group that differs from the overall results, with 63% of that group having read and considered the options set out by IFRS. This result could be indicative of where the main responsibility lies for IFRS implementation. Not surprisingly, relatively more public company respondents have considered the options set out under IFRS 1 with 61% indicating that they had, compared to 46% in private companies.



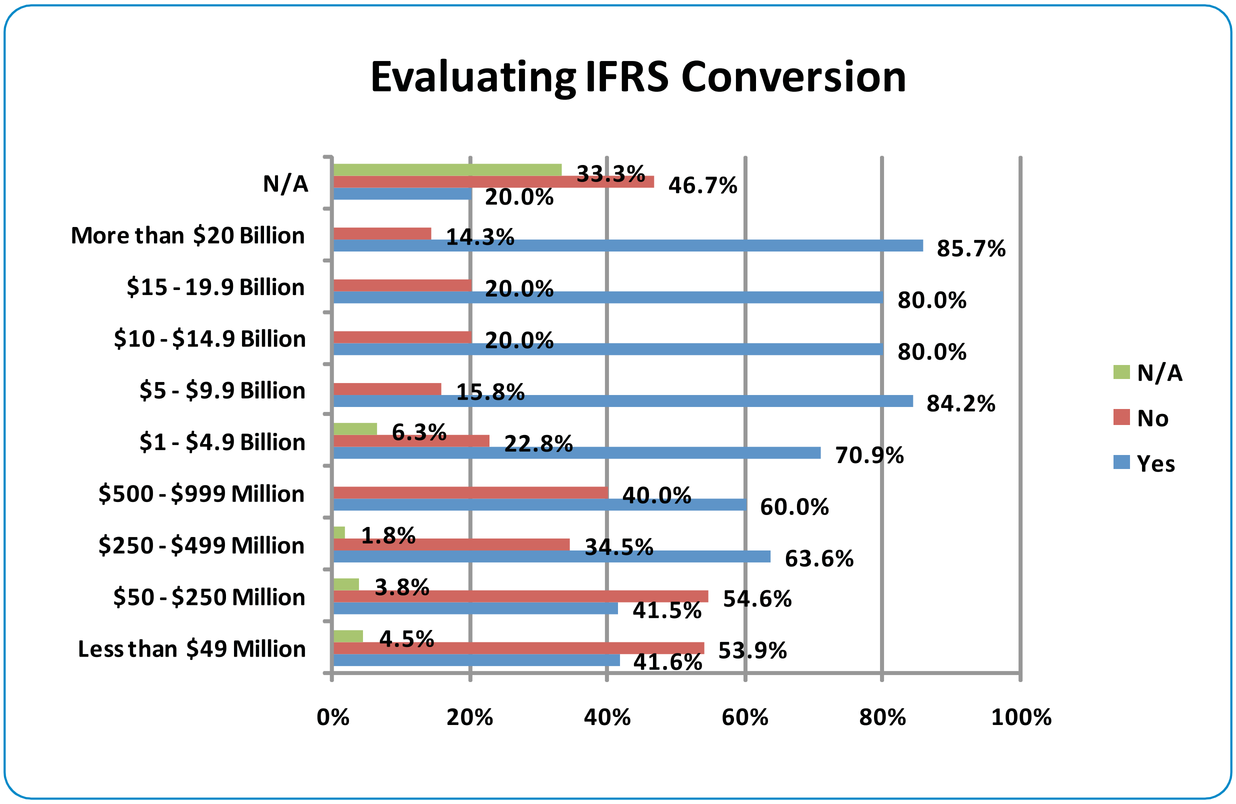
The majority of utility and financial services sectors have started evaluating the impacts of IFRS on their companies. Smaller Canadian public and private companies are slow starters.

Half of all companies polled have begun evaluating the impact of IFRS on their companies. However, 60% of public companies, versus 42% of private companies in our sample have begun this process. The utility sector appears to be ahead of the learning curve, with over 90% of respondents indicating that they had begun their impact assessments. This compares to 62.8% in Finance and Insurance, 60.6% in mining and oil and gas extraction, 56.3% in Professional, Scientific, and Technical services and 41.5% in manufacturing.



With respect to whether or not companies have begun the assessment process, size matters. Six out of the seven of the largest companies in our sample, with revenues in excess of $20 billion had started to evaluate the impact of IFRS conversion on their business. Similarly, roughly 80% of companies with revenues between $5 and $19 billion had begun the process. Results shift dramatically for companies with revenues of less than $1 billion, where 60% of companies in the $500 million to $1 billion revenue range had started the process.

The majority of the companies in our survey have less than $250 million in annual revenue and only 41%, compared to the overall average of 50%, had begun to evaluate the impacts of IFRS on their companies.



Survey results support the popular wisdom that on average, not many companies are far along the conversion path. While half of the companies responding to this survey indicated that they have begun to evaluate the impacts of IFRS, the vast majority (85%) do not have a detailed conversion plan in place at this point in time, nor have they built conversion timelines, or allocated resources to specific tasks. Similarly, 300 out of our 510 respondents (59.8%) said that conversion was not yet a standing item on their audit committee's agenda. Of those that have begun the development of a conversion plan, 61 respondents indicated that they began this process after January of 2008, 78 began between September of 2007 and the end of the year, and 53 said they began before September 2007. As of February 2008, 241 had not started.

GETTING STARTED AT BELL CANADA - DON'T JUMP THE GUN

As of mid February, Bell Canada was completing the initial phase of their conversion start-up project. This involved a diagnostic to identify the majority of the accounting differences between Canadian GAAP and IFRS, prioritizing them, and then identifying which groups in the company would be impacted by the changes. They will then determine the degree to which those groups will be involved in implementing required changes.

However, they were cautious about jumping the gun with respect to engaging the groups outside their core finance team. Particularly, as Richard Provost, Director of Accounting Policy explains, "We don't know what specifically to tell them yet." In his view, in order to get people engaged, "they require clear direction and a complete view of what might be impacted." He also points out that one of the dangers of involving people too early in the process is that they have to redo work as more information becomes available, and according to Provost, "One of the outcomes of the initial phase of this project is that we learned that people get tired of going back and reworking and changing the objectives." In order to avoid this problem, rather than engage people too early in the process, they decided to dive deeper into what the major issues would be and who would be affected and ultimately only have one primary communication surrounding the IFRS adoption strategy.

Bell has also engaged an external consultant to help them validate their IFRS conversion approach with respect to timing and helping them through some of the interpretation questions. Ultimately, it is expected that they will assist in actually doing some of the implementation work. They are also involving their external auditors any time they have an interpretation issue. As Provost explains, "We're making sure that we involve our auditors now, so that we don't get surprises a few months or a few years down the road."

ATTRACTING THE ATTENTION OF THE BOARD

The IFRS start-up project at BC Hydro falls into the patterns that have been established by the companies who are leading the pack in IFRS conversion. What distinguishes this group, and BC Hydro specifically, is the extent to which their Boards are engaged in the conversion agenda. At BC Hydro, every quarter the Board gets a report on IFRS developments and conversion progress. Their audit committee is also taking an IFRS tutorial to brief themselves on some the accounting and reporting implications. According to Alister Cowan, BC Hydro's CFO, "We have a very attentive, technical audit committee who are interested in understanding the impact of IFRS, not just on BC Hydro, but in a broader sense."

BC Hydro is also actively educating the rest of the management team, particularly in light of the fact that Finance is asking for a substantial budget to implement IFRS over the next few years. Inherently this involves some difficult decisions. Says Cowan, "For example, do you want to spend a few million dollars implementing IFRS or do you want to put money into manpower on the ground or priorities in other areas? We end up having to explain to our colleagues on the executive team why we need additional funding for IFRS conversion and system work when it will not result in improvements to the operation of the business. Admittedly, says Cowan, the management team doesn't yet know what it all means for how we operate the business. We won't really know that for probably another year as we go through some more detailed work."

Over the next five years, BC Hydro plans to have a team of four to five full time people working exclusively on conversion before they move it to a traditional project management structure for implementation. They have also hired their auditor as their advisor on the project.

IFRS conversion is also front and centre on the Board's agenda at Hydro Quebec. In order to bring the importance of IFRS into the fore, IFRS conversion was placed on a high level in the risk matrix that presented the board with the annual budget. In this way, the Board could gauge IFRS relative to the rest of the critical risk factors facing the company in the coming year.

During the project start up phase, the Office of the CFO established a team of experts whose mandate it is to review all issues linked to IFRS. Once the most significant issues have been identified, this group will go line by line in our financial statements to ensure nothing has been missed. Quebec Hydro's aim is to have all the diagnostics done and the roll out plan in place by the end of 2008. As Daniel Garant, Executive Vice President and CFO, explains: "I don't want to discover things in 2011. We want to know before the end of this year what the impacts are going to be and how we should manage them."

IFRS AND COMPENSATION - BOARD KNOWLEDGE

Many corporate directors are concerned that they are not getting enough information on IFRS in order to be able to evaluate management's conclusions. There is a fair amount of discomfort in knowing if there is objectivity being applied to the selection of accounting policies as it pertains to achieving a fair basis for management for management evaluation and compensation. According to Rafik Greiss, IFRS Leader at Ernst and Young, the issue is ensuring an appropriate level of comfort at the board level.

IFRS AND COMPENSATION - BOARD KNOWLEDGE (CONTINUED)

Says Greiss, "One challenge I've been hearing with respect to IFRS conversion is how we ensure that what we present to the board and to the audit committee, is complete." "I believe", says Greiss, "it's really important for financial executives to show the impacts of the changing metrics on management's evaluation and compensation. It is particularly important for boards to also understand the potential impacts that the various other IFRS alternatives could also have on these metrics.

Despite the fact that many companies are planning on evaluating the impacts of IFRS conversion themselves, most believe they don't have a good understanding of the issues. This begs the question, are Canadian companies going to be able to meet their 2011 deadlines?

For those thinking about conversion at this time, 50% plan to do the impact assessment in-house, 26% expect that internal audit will do the evaluation, and 15.7% said they will rely on their external auditor. However, when asked if they believed that they had enough information today to understand the impact of conversion, 70% said they didn't, 12% said they did, and another 12% didn't know. To date, the majority of respondents (69%) have used the resources of the CICA to obtain information about how IFRS conversion will impact their companies, 65% said they rely on information from their audit firms, 55% use other reading materials made available on the web through other associations and standard setters, and 36% said they use the resources of FEI Canada.

OBTAINING THE KNOWLEDGE

The initial awareness stage of IFRS training has started. The CICA has provided a great deal of information on its website and elsewhere and there are ongoing updates at CICA and FEI Canada conferences. Accounting Associations are also presenting courses; however there are indications that the demand may be exceeding the supply for these offerings. In addition, most of the public accounting firms have picked up where accounting bodies and associations have left off. According to Darla Sycamore, Director of the Board of CFERF and IFRS training specialist, "Public Accounting Firms have done an excellent job in providing overview courses for clients and other interested parties. They have also provided excellent self study resources on their websites focusing on the IFRS/Canadian GAAP differences and planning considerations." Furthermore, much of this information is available for specific industries in some detail based on resources in their affiliates in IFRS reporting countries.

At the same time, foreign based training organizations are attempting to fill some of the demand for IFRS education, with varying degrees of success. Says Sycamore, "There is at least one external foreign IFRS training supplier in Canada, but the courses may not include enough information relating to Canadian content. For all suppliers, there is a major challenge to supply qualified instructors in IFRS, particularly those who can relate experience to the Canadian environment. The trainer shortage is an immediate need to shore up what seems to be a demand supply imbalance."

> "I think, when you really get into the details, there is an increase in the amount of data that is required to populate additional footnotes disclosures and tables - where is that data going to come from? - not to mention the rigor behind it, and the auditability."
>
> - Tim Deacon, Vice President, International Accounting Policy Manulife Financial

Many finance executives are concerned about the impacts that IFRS could have on their bottom line and by extension, shareholder value. Financial executives in our sample were therefore asked to provide their views on expected changes in the evaluation of the financial results due to the adoption of the IFRS. Ten key areas were examined: revenue recognition, existing asset value, unrecognized asset value, cash flow, cost of capital, cost of sales, R&D expenses/amortization, pensions and benefits liability, ROI, and earnings per share. However, it is generally recognized, and born out by this research, that very few companies have made significant progress into assessing the specific impacts of IFRS on their financials. We therefore stress that the following results are preliminary, and should be interpreted in that light.

REVENUE RECOGNITION:

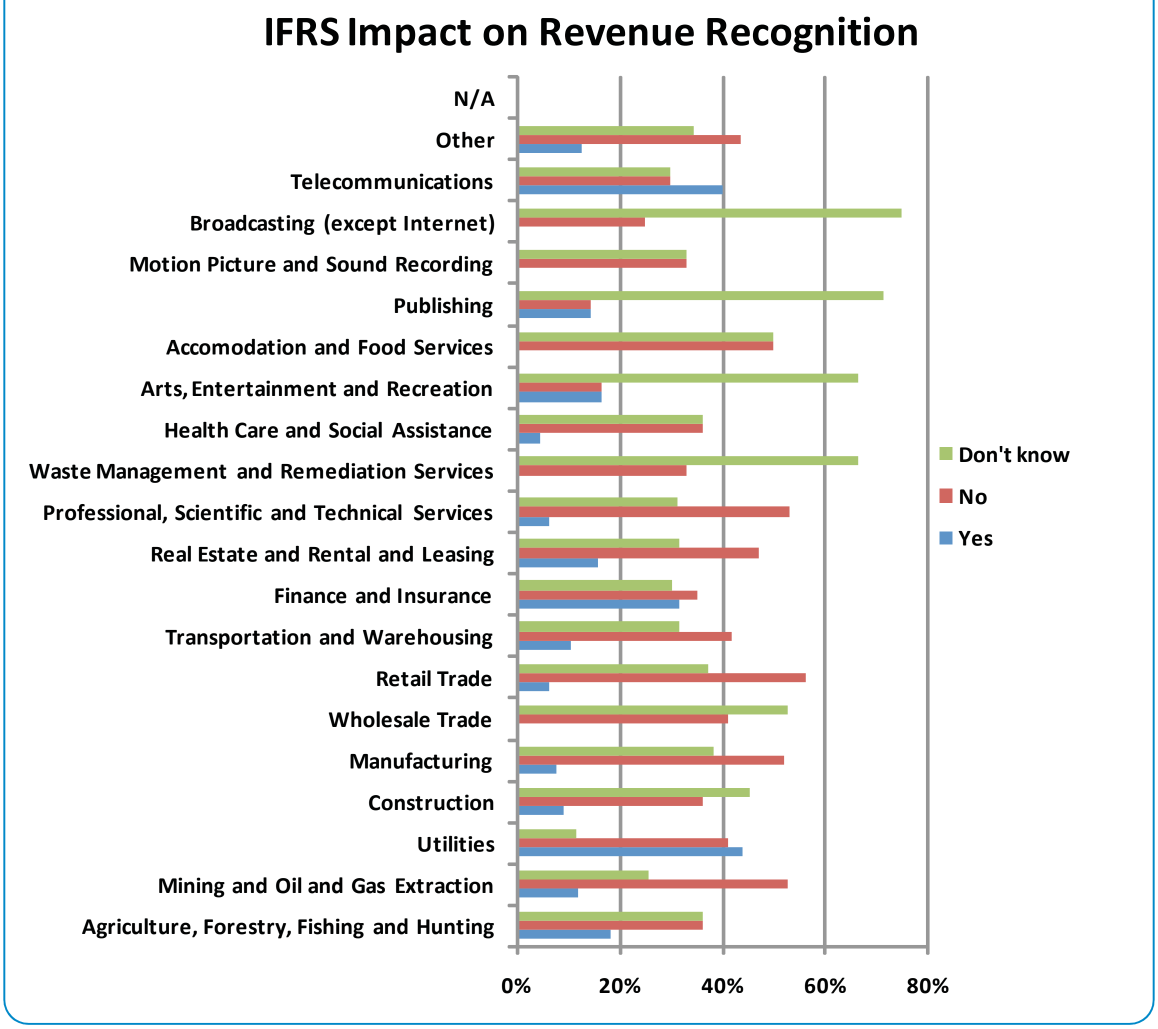
Financial executives still don't understand the full impact on revenues, however many believe that it will not be significant. The exception however lies in three major sectors of the Canadian economy - utilities, finance and insurance and telecom, where a large proportion of respondents feel that we will see a significant change in the reported revenues of their companies. This also holds true for several of Canada's largest corporations in the oil and gas extraction, manufacturing and retail trades.

There are decidedly mixed views on whether or not IFRS will have a significant impact on revenue recognition. A large proportion (43.3%) of financial executives feel that adopting IFRS will not have a significant impact, 15.9% feel that it will, and one third don't know at this time. However, views vary between the four industries that we will be highlighting throughout this study: mining and oil and gas extraction, utilities, manufacturing and finance and insurance.

A larger proportion (53%) of executives from the extraction sector, expect to see no change in revenue after IFRS. This also holds true for manufacturing. This compares with, 12.1% and 7.7% respectively, that do expect a change. In contrast, 44.1% of respondents from the utilities sector and 31.6% in financial services are anticipating revenue impacts. Of the ten telecommunications companies that have responded to our survey, four believe that revenue will be affected in a major way, three do not, and three don't know at this time.

Financial executives from smaller companies in our sample are less likely to believe that revenues will be impacted, and over half of our manufacturing executives fall into this category. The higher company revenues across industries, the more inclined senior financial executives are to believe that adopting IFRS will have revenue implications. However, regardless of revenues, significantly more finance executives feel that revenues will not be impacted than those that do.

This holds true until companies reach revenues of $15 billion and over. Four out of the eight financial officers that responded from mining/ oil and gas extraction companies with revenues over $15 billion expect to see a significant impact on their revenues. Two out of two manufacturing executives, two out of four from retail trade; and three out of five from finance and insurance in this revenue group also hold this view. Similarly, the only senior finance executive from a $15 billion plus Canadian telecom that responded to this survey, expects to see a significant impact on revenues after implementing IFRS.



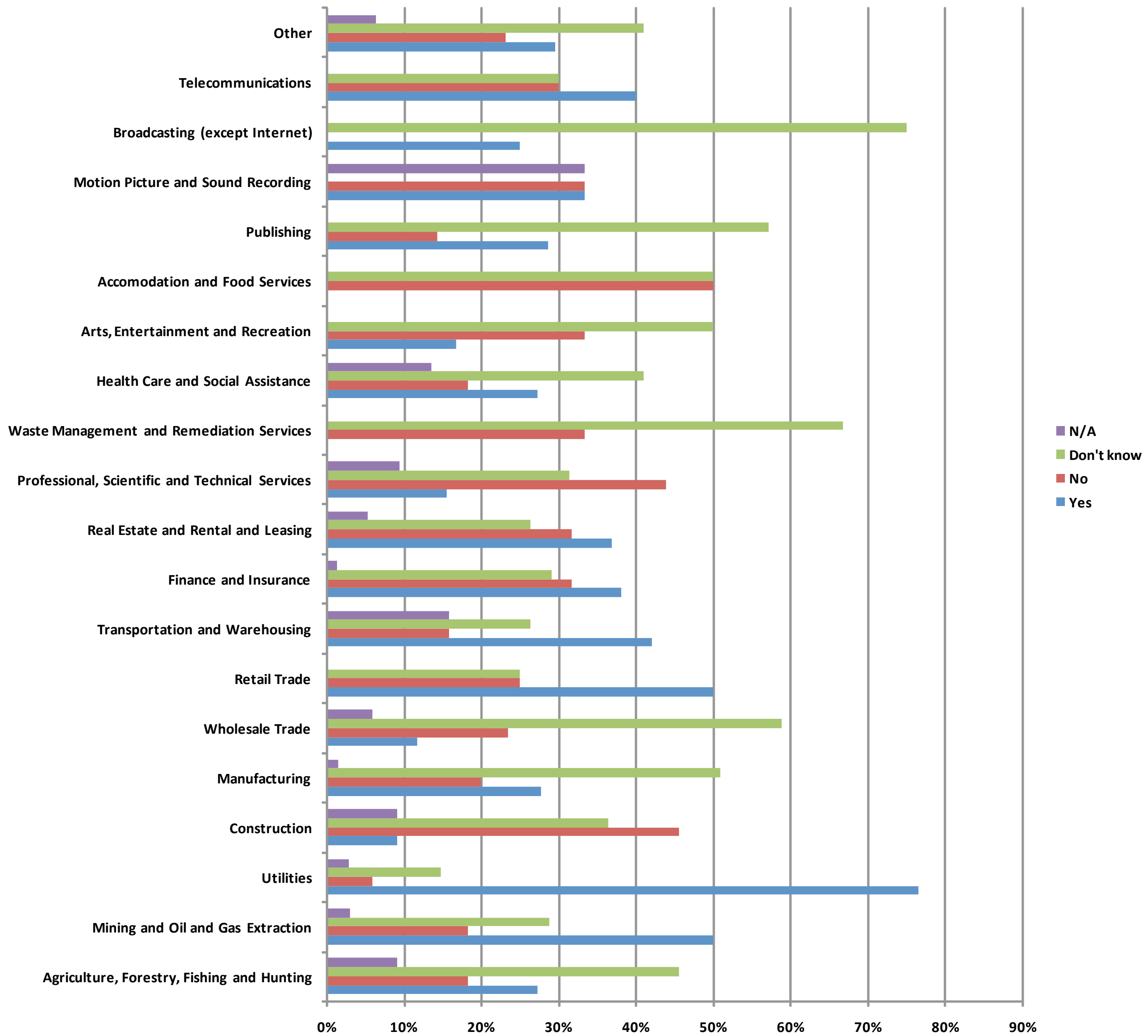
The impacts on asset valuations are largely unknown to many senior finance executives. Only oil and gas and extraction, utility, and retail execs are relatively confident that there will be a significant effect on their companies' recognized assets.

Again, effects of IFRS adoption on asset valuation are mixed. Over one third of the executives responding to our survey foresee a significant impact on valuing existing assets, compared to 24% who don't. Roughly one third don't know. Results are slightly different with respect to unrecognized assets, where 22% expect an effect, and 24% don't. However, relatively more executives (45%) are unaware of the potential impacts on unrecognized assets versus existing ones.

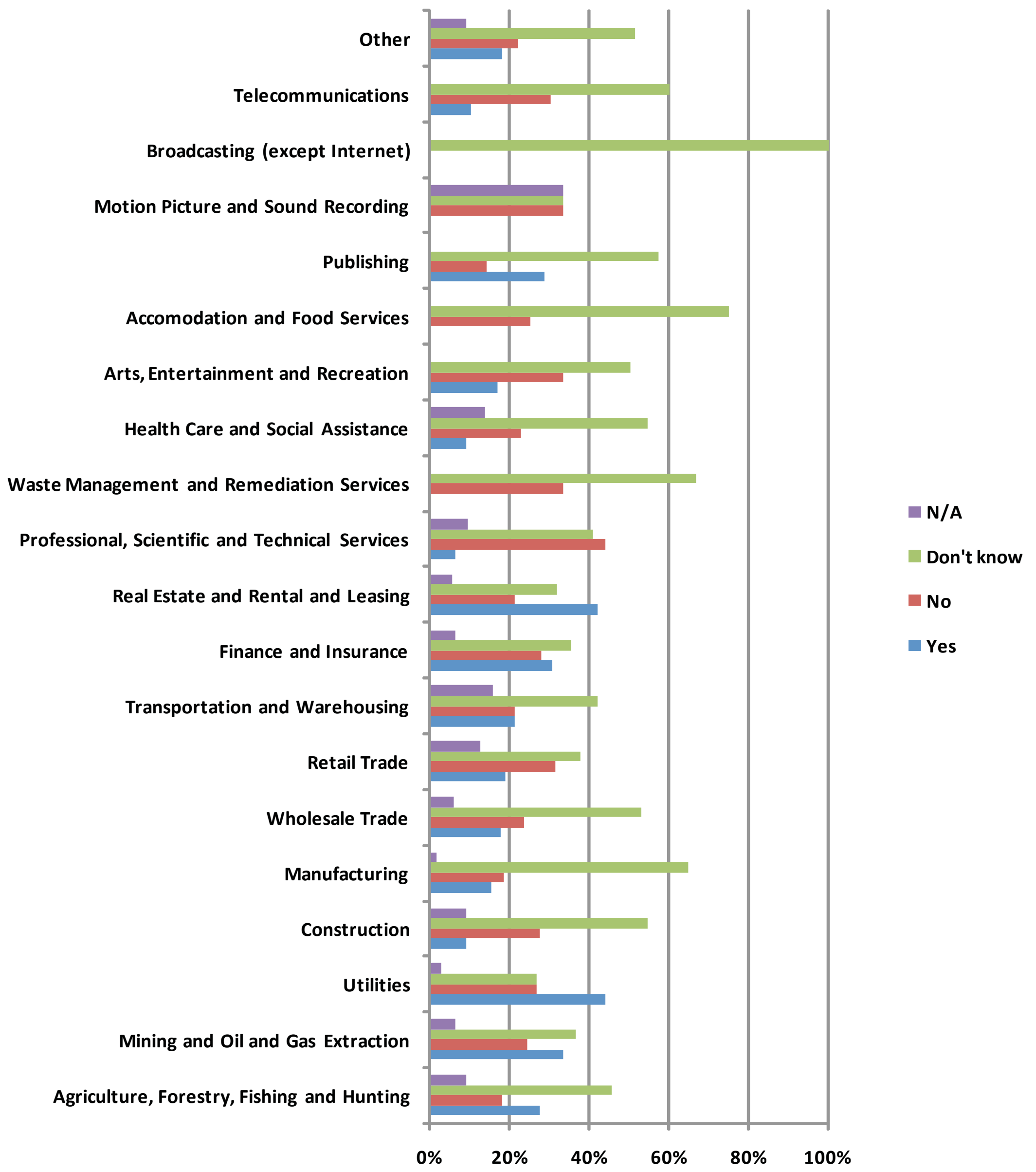
Mining and oil and gas extraction, utilities and retail trade companies are the outliers. Relatively more executives in these industries, (50%, 76.5% and 50% respectively) are expecting to see a significant impact of IFRS adoption on valuing recognized assets. Differences across industries are less clear when it comes to unrecognized assets. The proportion of executives that didn't know what the potential impact would be, ranged from a low of 26.5% in utilities, to a high of 64.6% in the manufacturing sector.

> "I don't believe for a moment that people who are in other parts of the world are keeping extensive detailed records down to ridiculously low levels [when componentizing assets]. We need to push back on this. I'm glad the issue has surfaced. I encourage you, as these sorts of issues come forward, not to try to deal with them individually. I hope one of the outputs of this would be that we collectively channel our energies and our resources to deal with some of these issues. It is just not acceptable, I think, to let them swirl around and have individual people struggle."
>
> - Paul Cherry, Chairman Canadian Accounting Standards Board

IFRS Impact on Existing Asset Value



IFRS Impact on Unrecognized Asset Value



RATE REGULATED ENTITIES

Hydro One Inc. has several challenges with respect to adopting IFRS, however, the single biggest issue for utilities companies in general, is reporting of regulatory assets and liabilities. This will not only require in depth understanding on the part of the managers of the company, but on the part of the customers and their owners as well.

According to Colin Fraser, Manager of Financial Reporting, "The banner issue for regulated utilities is the whole issue of regulatory assets, regulatory liabilities…whether they exist under IFRS in terms of the balance sheet, and also the potential for volatility in our reported results." "Furthermore", says Colin, "this is significant because a lot of the timing differences with respect to different revenues and costs land on our balance sheet in a variety of variance accounts, which leads to a certain degree of smoothness. The regulatory assets and regulatory liabilities treatment could disappear under IFRS. This could lead to volatility that could be perplexing for our customers and for the Province of Ontario, our only shareholder. They would probably have to be fairly heavily educated to understand it."

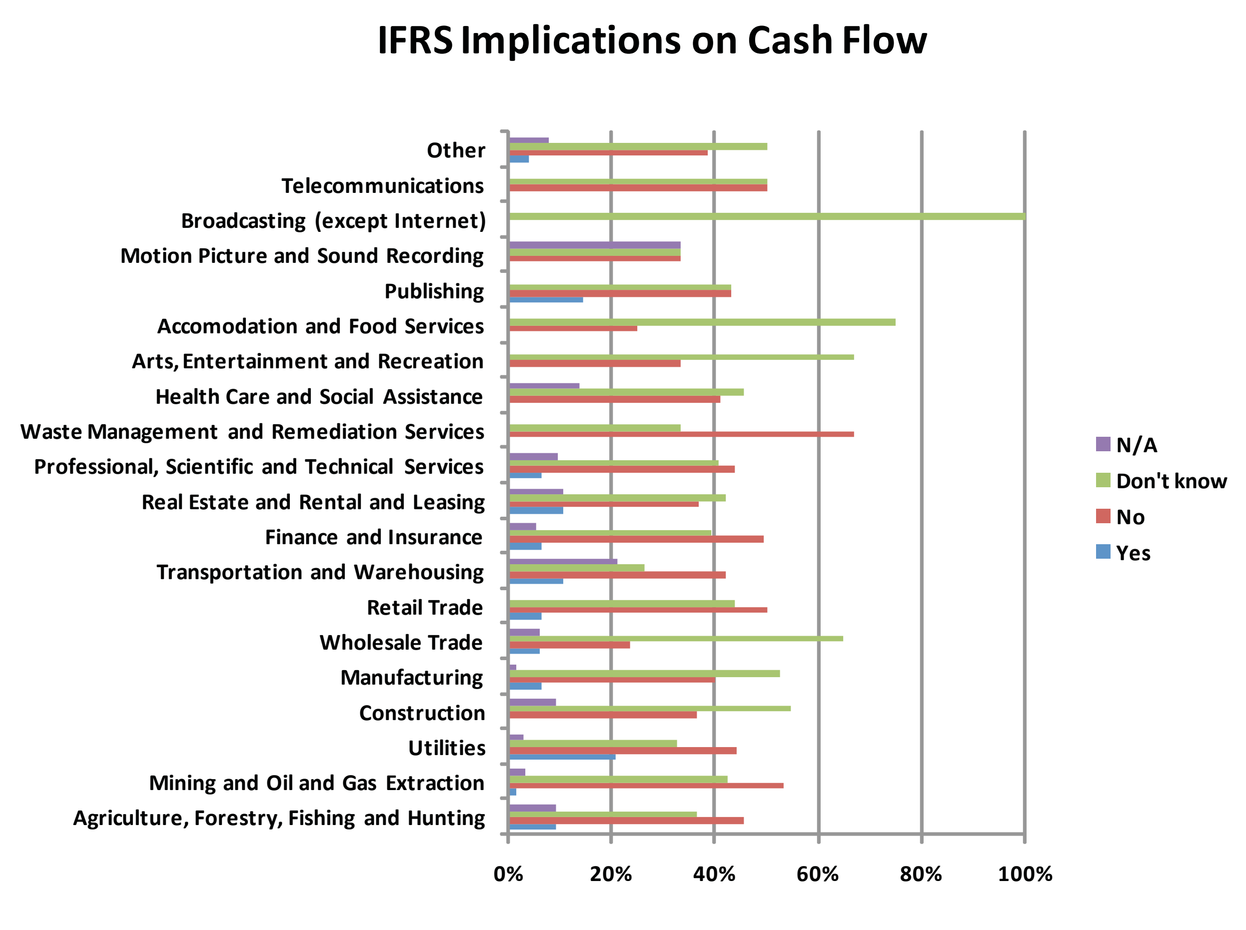
When asked what the solution to the problem could be, Bill Ross - Vice President, Finance and Information Technology, at Enbridge Gas Distribution explains: "Quite frankly, we could end up with one set of books for the regulator and one for IFRS, one for Canadian GAAP and another for our debt covenants."

"I'm looking at the same issue", says Daniel Garant, Executive VP and CFO of Hydro-Quebec. Garant explains, "If we need to change the way we are amortizing our assets for regulatory purposes, because of accounting changes, we will have to explain the changes to regulators and convince them that the accounting was done properly. We will have to convince customers that rates are increasing because the accounting changed. So it's an issue of two sets of books, one for the regulators and one for the accounting standards."

CASH FLOW:

Most senior financial managers expect no change in cash flow, unless you're a utility exec. This is particularly true of mining and finance and insurance execs.

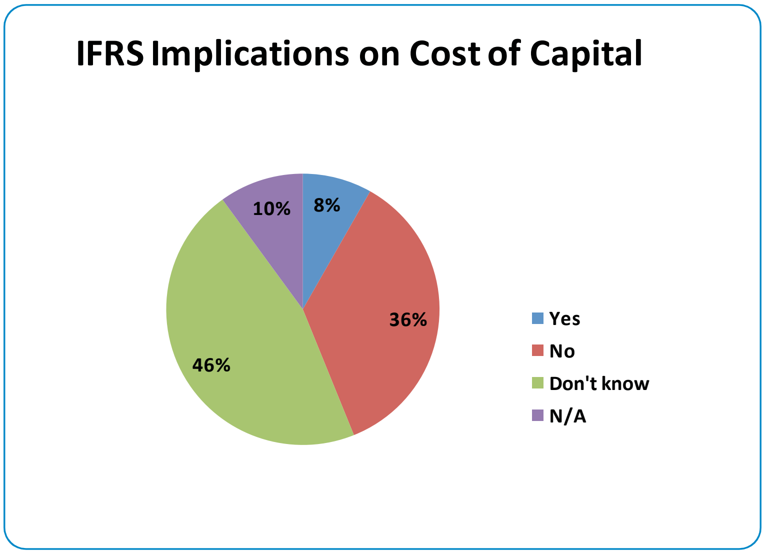
Two hundred and eighteen survey respondents, or 42.7%, expect no change in cash flows as a result of adopting IFRS, and another 44.7% didn't know at this time. This varied somewhat according to industry. For example, roughly 50% of all senior finance executives in mining and oil and gas extraction and financial services saw no change. More executives in the utility sector expected cash flow changes than in any other sector in our sample.



COST OF CAPITAL:

The majority of executives are not sure if IFRS will have any impact on the cost of capital. However, some utility execs are expecting a significant change.

One of the premises of having a single set of high quality international accounting standards is that it will improve transparency and comparability of financial results between companies around the world, and thereby have the effect of reducing the cost of capital everywhere. However, as our survey results suggest, this remains to be seen. When asked about whether they expect the cost of capital to be significantly impacted as a result of adopting IFRS, almost half of the survey respondents reported that they didn't know and another 35% said that it would have no impact. Again, the utilities sector stands out in the crowd, with 20% of executives saying that there will be a significant change on the cost of capital with the adoption of IFRS.



COST OF SALES:

Utility execs say IFRS will have no impact on the cost of sales. The rest simply don't know.

In terms of evaluating the impacts and reporting of costs of sales, survey results show that financial executives have mixed views in this area. Thirty nine percent didn't know, 35% saw no change, and 11.6% expect an effect. However, the awareness in this area varied markedly across industries from a low of 20.6% in the utilities sector to a high of 85.7% in broadcasting. 26.5% of executives in the utilities sector said that it would have an impact on their cost of sales, compared to 47% who said it would not.

R&D EXPENSES/AMORTIZATION:

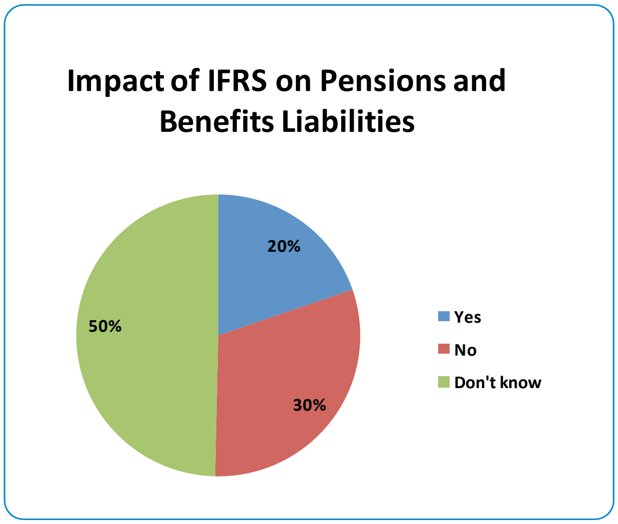
It's too early for many industries to understand what the impact of IFRS will be on R&D expenses/amortization.

The impact of the IFRS on R&D expenses/amortization is also an unknown to a large proportion of financial executives filling out this survey. Almost 40% are not aware of the impacts, 26.1% say there will be none, and 15.7% expect significant impacts. Implications by industry vary widely as a function of the nature of R&D per sector. Views are also split within industry groups. Many utilities companies are expecting a significant impact on how they expense and/or amortize R&D (26.5%), while an even greater number (40%) do not. Similarly, there are just as many mining and oil and gas extraction companies that expect IFRS adoption to have a significant impact on expensing and/or amortizing R&D as those that don't. These results demonstrate the general state of uncertainty between and within industry groups with respect to the evolution of specific standards going forward.

PENSIONS AND BENEFITS LIABILITIES:

Finance and insurance and utility execs understand the impacts of IFRS on their pensions and benefits liabilities related to post employment income.

Many financial executives in our study, (50%) did not know the impact of the IFRS on their pensions and benefits liabilities. However, almost one third believed there would be no substantial impact, compared to 20% who believed there would be. Only the utilities and finance and insurance sectors were above the overall industry average in this area. 41% of executives from utility companies and 24.1% of finance and insurance execs foresee a significant impact on their pensions and benefits liabilities under IFRS. At the same time, a much lower proportion of execs from these two sectors said that they didn't know what the impacts would be in the future.



BC INVESTMENT MANAGEMENT CORPORATION (BCIMC) - PENSIONS ASSETS UNDER MANAGEMENT

BC Investment Management Corporation manages roughly $85 billion dollars worth of investment assets (money market, bonds, mortgages, equities, private placements, infrastructure and real estate). According to Cathy MacArthur, Senior Manager Investment Accounting, there are some IFRS changes that could have a significant impact on accounting and reporting in their organization.

First, changes to pension plan standards under IFRS could pose considerable accounting complexities for pension plans. Second, unlike Canadian GAAP, there are no specific exemptions from the consolidation rules for investment companies as of yet under IFRS. Third, IFRS can result in changes in fair value accounting for intangible assets such as goodwill. Lastly, because bcIMC receives a significant number of financial statements from private equity investments, bcIMC could be affected by changes to private company reporting under IFRS.

Going forward, bcIMC is keeping a close watch on evolving IFRSs for pension plans and consolidation rules as well as where the standards are going for small and medium private enterprises.

IMPLEMENTATION AT MANULIFE FINANCIAL - BUILD IN LEAD TIMES

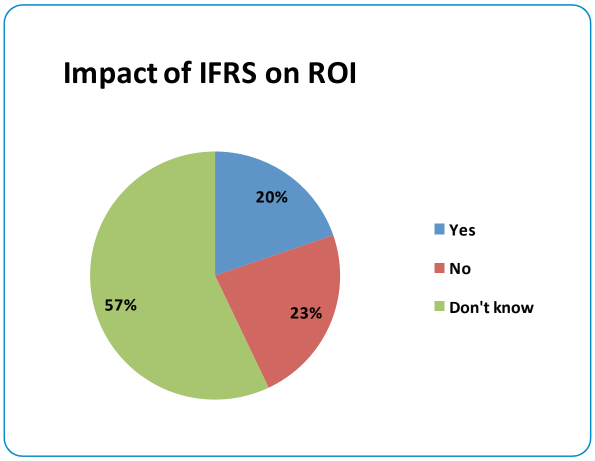
Manulife Financial has concerns with respect to investment fund reporting, and the lack of industry specific accounting guidance under IFRS. Another significant concern surrounds insurance contracts. As Tim Deacon, Vice President, International Accounting Policy explains, “Being in the insurance business, the accounting for most of our balance sheet is in a state of flux. The insurance contract standard is still being revised so we actually don’t know what the final model will look like. There are a lot of things that are up in the air right now.”

In addition, the ability to obtain local “signoff” of IFRS accounting advice is an ongoing problem. According to Deacon, because IFRS is global, “Manulife is finding a lot of audit firms will need to consult with their technical offices globally. This has increased the lead time for getting responses. “One of the things Manulife is building into their project planning is the extra lead time that they expect will be necessary to get conclusions and signoffs from auditors on IFRS accounting issues.

ROI

Half of all the responding companies from the utility sector say there will be a significant impact on their ROI after implementing IFRS.

The results on the impacts of the IFRS on Return on Investment are mixed and very close. Roughly 20% of all senior financial executives in our survey (for whom this question was applicable) felt ROI would not be significantly impacted. This compares with 23% who thought it would be significantly affected. More important perhaps is the fact that almost 50% did not know what that impact would be.

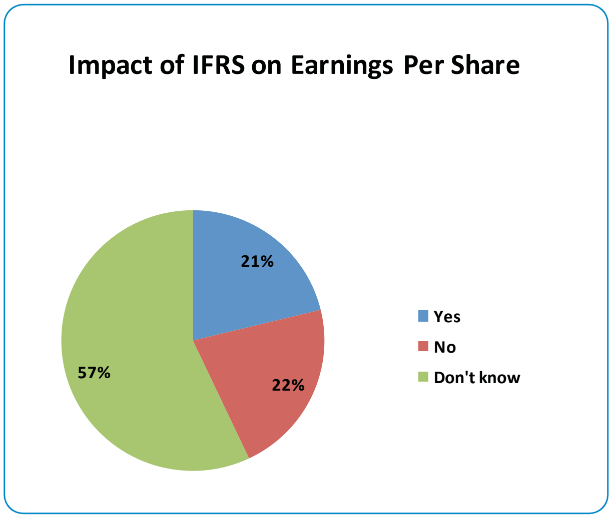


This largely reflects the substantial number of respondents who had yet to evaluate the impacts of IFRS on the reporting of their company's performance. The one notable difference from the overall industry group is again found in the utilities sector, where half of all executives surveyed said they anticipate a significant impact on return on investment after IFRS. In addition, four of the seven senior financial executives in companies with over twenty billion in annual revenue expect their ROI to be significantly affected.

EARNINGS PER SHARE

Since many companies have not yet estimated the impacts of adopting the IFRS on their return on investment, it is not surprising that roughly the same number don't yet understand the impacts on earnings per share. When private companies are factored out of the sample, 57% of respondents indicate that they don't know, 21% feel there will be a significant effect, and 21% see no effect.

Again, executives from the seven largest companies in our sample with revenues of more than 20 billion are inclined to expect the IFRS to impact earnings per share figures.



CLEARWATER INCOME TRUST FOODS - BIG PICTURE ISSUES

Clearwater Seafoods Limited Partnership is a Nova Scotia based seafood company with a large fleet of factory vessels. Some of the significant issues that they are currently examining surround the complex structure of their business. These include the IFRS impacts on the treatment of minority interests, joint ventures and capital and intangible assets. The company has a total of ten factory freezer vessels in Canadian and Argentine waters. According to Jennifer Best-White, Manager Corporate and Investor Relations at Clearwater, "Explaining the impact of IFRS will take much effort as it has the potential to create more variability in financial results. As well, it adds a level of complication when considering the fair value options of valuating various assets and accounting for fixed assets under a component method.

Evaluating intangible assets under the fair value option is challenging in an industry with unique assets. Says White, "There often isn't a market out there that you can look to. Some assets are not widely traded and are unique to us in some circumstances such as our clam license that allows us to fish a type of clam that you only find off the shores of Nova Scotia. We inherently have a lot of value not currently accounted for on our books, as our licenses are not recorded at fair value that is something we want to consider very carefully when evaluating options under IFRS."

The other issue that Clearwater faces, similar to many other Canadian companies, is that they are part of a bigger diverse group. For Clearwater, the bigger group has a cable company in the Caribbean who are already IFRS compliant. When evaluating options under IFRS, they not only need to consider how it will impact them, but consideration must be given from a group perspective. From a policy perspective, the objective for Clearwater is to maintain consistency across entities, with a view to understanding the uniqueness of each. Says Best-White "It is similar to financial instruments accounting, where there is volatility created in the middle of the financial statements that requires additional disclosure." Secondly, she says, "The question is, how many people out there really understand it?"

From an audit implication, Clearwater anticipates much more disclosure and increased involvement with our auditors through the whole process of IFRS conversion. According to Best White, "From an audit point of view, it starts now, not when you do your first audit under IFRS." Accordingly Clearwater is now evaluating the role their auditors are going to play, whether they're going to be their main resource, whether they will be relying on one or more external advisors and the costs involved. One of the key concerns for Clearwater is to make every effort to find the pitfalls in the road before going too far ahead in the conversion process.

SECURITIZED ASSETS AND CONSOLIDATIONS AT A LARGE CHARTERED BANK

The two biggest IFRS issues that the Bank is exploring right now are securitization - off balance sheet treatment of their securitized assets, and consolidation of variable interest entities. According to a senior bank executive, "In terms of the big fish, it's those two and it looks like those standards will be changing under IFRS. "However," they explain, "One complication is that they (IFRS) are not going to have been changed by the time we converge, so we're looking at a situation where we may end up restructuring certain vehicles and amending our securitization agreements to achieve off balance sheet treatment under IFRS, if possible, and then potentially change them again when IFRS evolves to probably something more like what we have now under Canadian GAAP. That's going to be difficult and expensive to do and we've recently just done it under Accounting Guideline 15."

BROADER BUSINESS IMPACTS OF ADOPTING IFRS

Many financial executives are not aware of the broader business implications of adopting IFRS, regardless if they are from private or public companies. However, financial executives carrying the title "Finance Director" may be more IFRS savvy than CFOs, VPs Finance or Controllers.

While IFRS conversion will have important accounting and reporting impacts, other areas of the business will also be affected. Senior financial executives are not only responsible for understanding the financial management implications of adopting IFRS, but the broader impacts that will affect budgeting and strategic planning going forward. At this point in time, however, few financial executives have a good handle on what those impacts are.

For example, when asked how aware finance executives were with respect to the potential implications of IFRS conversion on debt covenants, 30.8% were not at all aware, followed by 27.9% who were somewhat aware, and 16.7% who were generally aware. These results were born out in a variety of different areas. Roughly one third of our respondents were either not at all aware, or somewhat aware of the impacts of IFRS conversion on management compensation,

> "We are accountants. We are all going to learn; we are going to understand this and follow through. But you are going to have a lot of users who are not accountants. You are going to have to get them to understand the impact of the new accounting views, new accounting terms that we speak to so often, that we easily understand. Reporting externally, reporting internally, there is going to be a great deal of training and communication around that."

Jennifer Best-White
Manager Corporate and Investor Relations, Clearwater Foods, NS

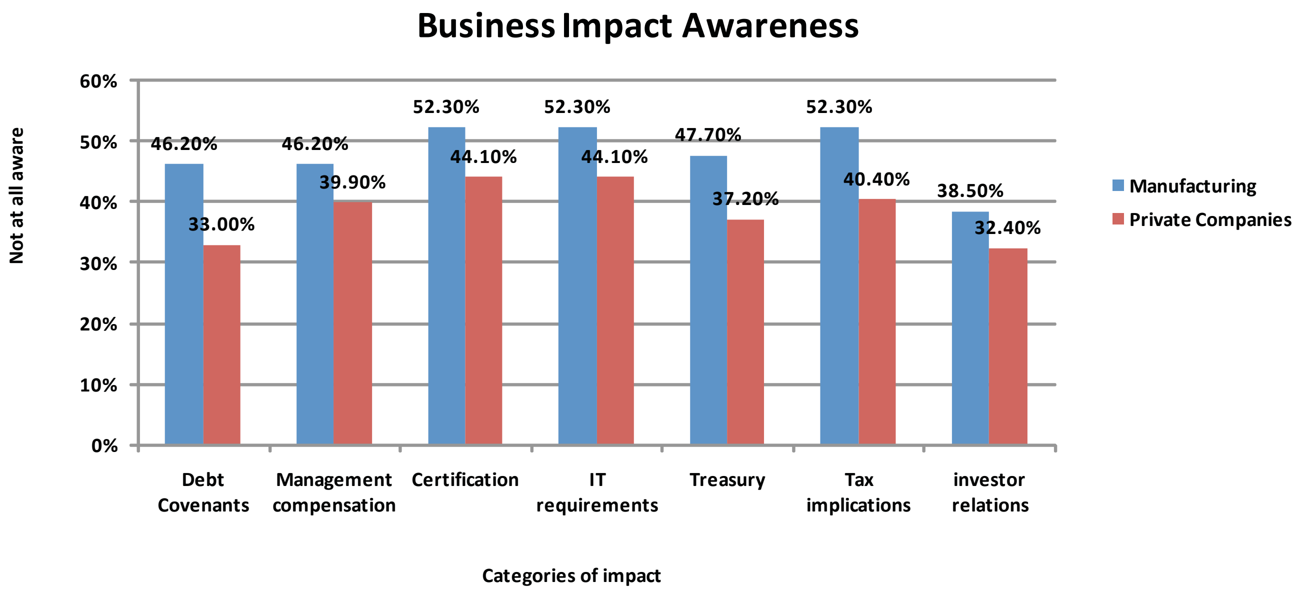
issues of CFO certification, IT requirements, treasury management, taxation issues, and investor relations. Public company respondents were only marginally more informed on the implications of IFRS conversion in these areas than their private company counterparts.

When comparing knowledge across the finance function, differences exist depending on who you're talking to. In each of the areas listed, a greater proportion of Finance Directors, than CFOs, VPs Finance or Controllers were generally aware of the implications of IFRS conversion. More than 30% of this group consistently reported that they were generally aware of the business impacts of conversion, as compared to between 15% and 20% of their other finance colleagues. More VPs Finance tended to report that they were generally aware of the certification and treasury implications (22% and 21% respectively) than any other business impacts. No differences between position titles were notable in any other areas, indicating that regardless of their role within the company, a large proportion of senior finance executives had not yet determined the business impacts of IFRS on the non-core accounting areas of their organizations. [Please see Appendix B]

Manufacturing companies are in a worse position than other major Canadian sectors when it comes to understanding the company wide impacts of adopting IFRS. Utilities remain in the strongest position.

Awareness of business impacts differs widely according to industry. Perhaps most significantly, out of our four largest industry groups represented, financial executives in the manufacturing sector are the least informed about the impact that IFRS adoption will have on their companies. While a greater proportion of respondents in manufacturing were from private companies, compared to many of the other industry groups represented in our survey, not all the discrepancy can be explained away by the weight of private manufacturing companies in this sample.

Compared to private companies in general, the manufacturing sector ranked consistently worse, and the results were magnified when compared to public sector companies on the whole. With respect to the implications on debt covenants, 33% of all respondents from private companies were not at all aware, this compares to 46.2% in the manufacturing sector as a whole. Similar comparisons can be made with respect to management compensation, (39.9% private, versus 46.2% manufacturing); certification (44.1% private versus 52.3% manufacturing); IT requirements (44.1% private versus 52.3% manufacturing); treasury (37.2% private versus 47.7% manufacturing); tax (40.4% private versus 52.3% manufacturing); and investor relations (32.4% private versus 38.5% manufacturing). This knowledge gap widens when the results from the manufacturing sector are compared against public companies in general.



The utility sector is the success story of the four largest industry groups represented in our sample. When compared between Oil and Gas, Manufacturing and Financial Services and Insurance, which together represent roughly 47% of all respondents, financial executives in the utilities are more aware of the general impacts of IFRS adoption on their business. This result is not surprising given that 91% of respondents from this sector indicated that they had already started evaluating the business impacts of their conversion process. This compares with 60% in the mining and oil and gas extraction industry, 62.8% in financial services and 41.5% in manufacturing. [Please see Appendix C]

GREATER TORONTO AIRPORT AUTHORITY (GTAA) - NOT-FOR-PROFIT ISSUES

One of the most significant issues that GTAA is examining now is the asset side of IFRS. The key concern for them is around process, i.e. how they will scope out the project and at what level they scope the requirements under IFRS. The amount of work relates to how systems are going to have to be modified to accommodate a new level of detail. Furthermore, the challenge will be the ongoing maintenance as they break out their assets.

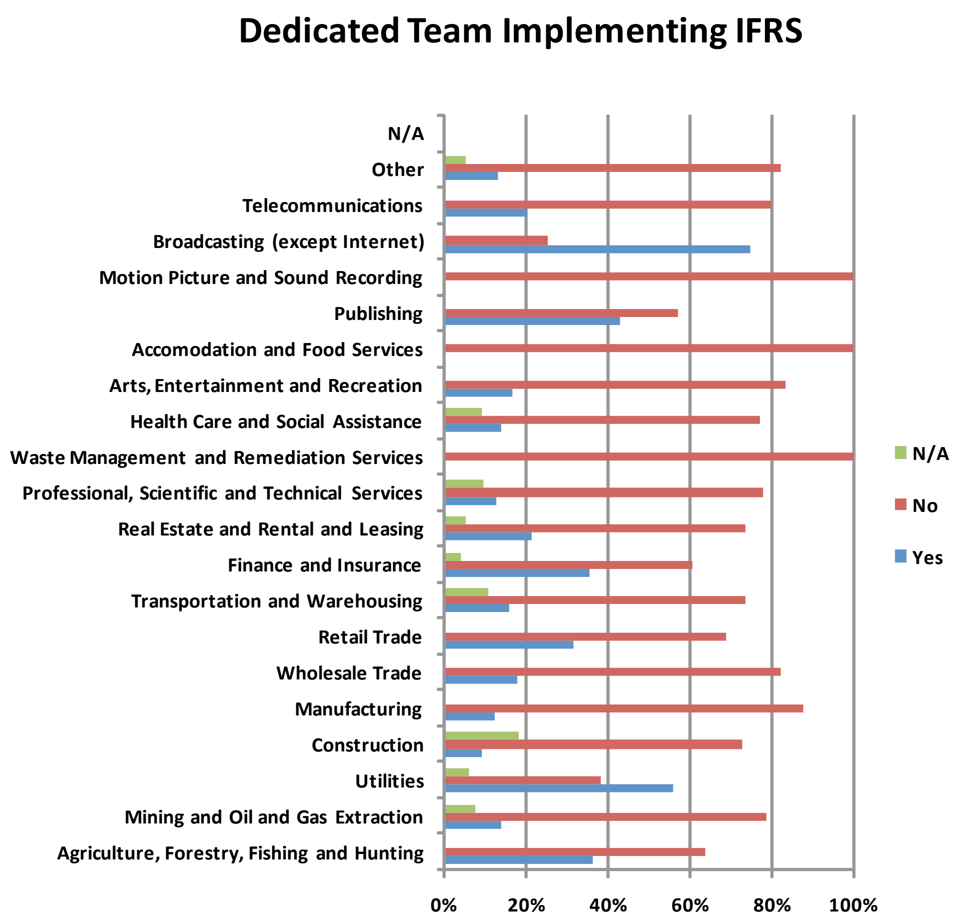
Another concern that GTAA has right now is the presentation of the financials under IFRS, versus the not-for-profit accounting model they currently use. As Jason Boyd explains, "[If they move to IFRS] It's going to change the look and feel of some of our statements and there needs to be corporate communication to the investment community in order to allow them to understand and adapt to the changes."

IMPLEMENTING IFRS - A TEAM BASED APPROACH

Canadian companies have yet to put dedicated teams in place to handle IFRS conversion and smaller companies with revenues of less than $250 million are even less likely to have taken this step towards achieving the 2011 deadline.

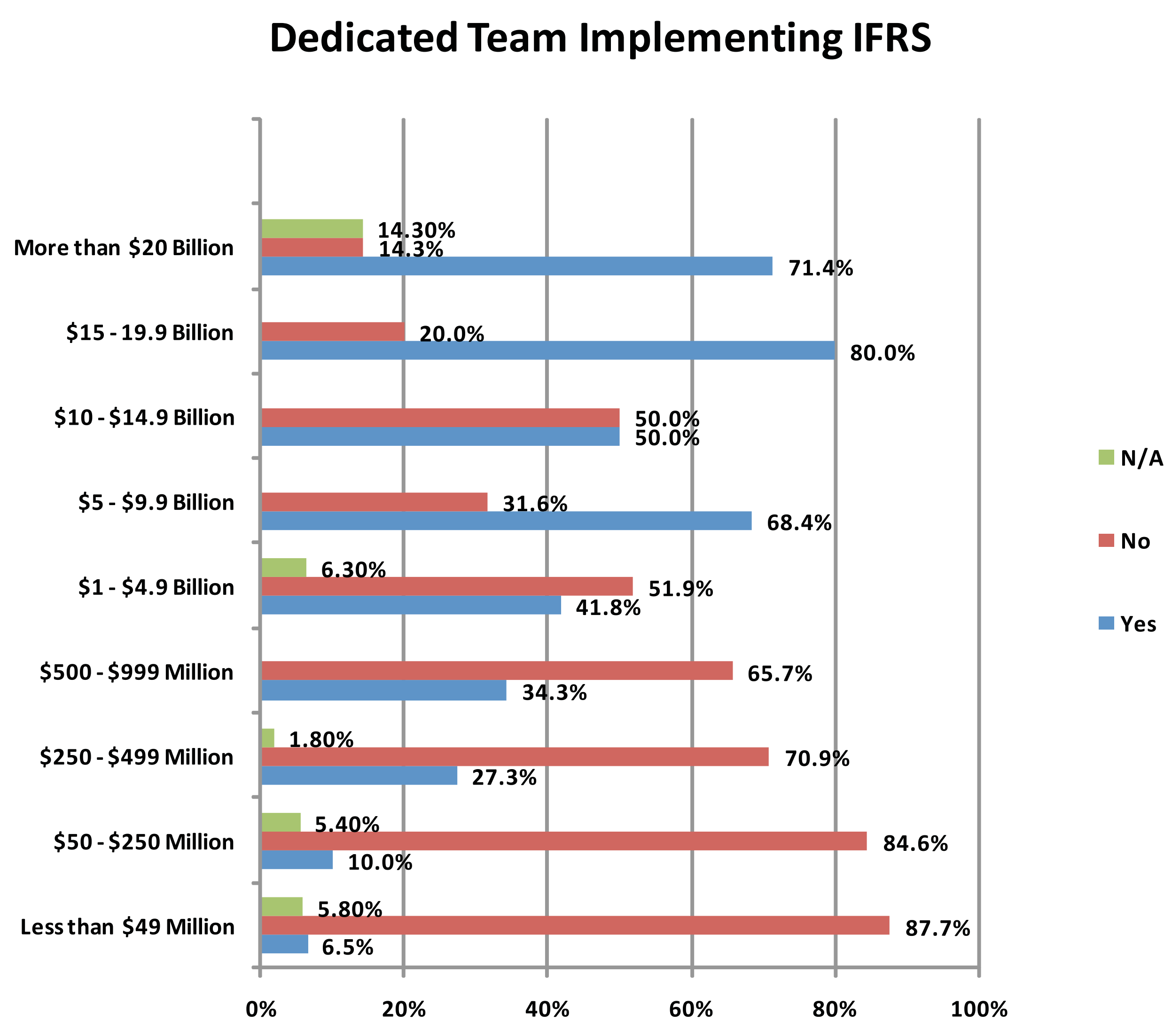
The vast majority of companies responding to our survey indicated that they do not have a dedicated team in place for implementing IFRS. This was true for three hundred and seventy two (72.9%) out of the 510 companies in our sample. Twenty eight percent of all public companies in our survey had a team in place, compared to 10.6% of private companies.

Again, Canadian utility companies were leaders in this area, with over half of all companies in this sector indicating that they had dedicated IFRS



teams in place. This compares with 35% of respondents in the financial services and insurance industry, and only 12.3% in manufacturing. While 60% of all mining/ oil and gas extraction companies had begun to assess the impact of IFRS on their companies, only 13.6% had implemented IFRS project teams. Those companies are likely to be the 8 mining/oil and gas companies in our survey with annual revenues of more than $15 billion.

Industry size is again a good indicator of the state of play of IFRS readiness in Canada. Smaller companies with revenues of less than $250 million were less likely to have project teams than companies over this threshold. Our data shows that between 85% and 88% of respondents from companies in this range have yet to implement project teams to tackle the IFRS conversion.



A SMALL COMPANY PERSPECTIVE

Morneau Sobeco Income Trust is a small publicly listed pensions and benefits administration company based in Ontario. Unlike the large organizations who are ahead of the curve in their IFRS conversion projects, Morneau is typical of most small companies who don't have the in-house staff to dedicate to IFRS conversion teams. At this company, their CFO is the IFRS accounting expert, yet is facing similar challenges as the industry leaders. All aspects of the financials have to be scrutinized and comparisons made between Canadian GAAP and the IFRS. Wider business impacts must be evaluated and communicated, and systems have to be revamped in order to provide the appropriate data.

Conversion strategies in small companies like Morneau will very much depend on the accounting savvy of their CFOs and the time pressures they are under. CFO Nancy Lala says, "I am the accounting expert in the company so I am the one who needs to get up to speed with the accounting differences. I have found it very useful that the auditing firms are putting out detailed comparisons between Canadian GAAP and the IFRS."

The understanding of the Board is critical in supporting the conversion strategies of the CFO in companies of this size. Says Lala, "I have been kind of lucky with our Board and IFRS. They are not asking for anything yet. I have told them that this year is the year for identifying differences. They are not putting a lot of pressure on the reporting aspects yet, but they are definitely aware of IFRS."

By the end of 2008, Morneau Sobeco's objective is to have draft financial statements restating 2007. Once the draft statements are prepared, they will be sent to the auditors for review and comment.

PREPARING YOUR STAFF

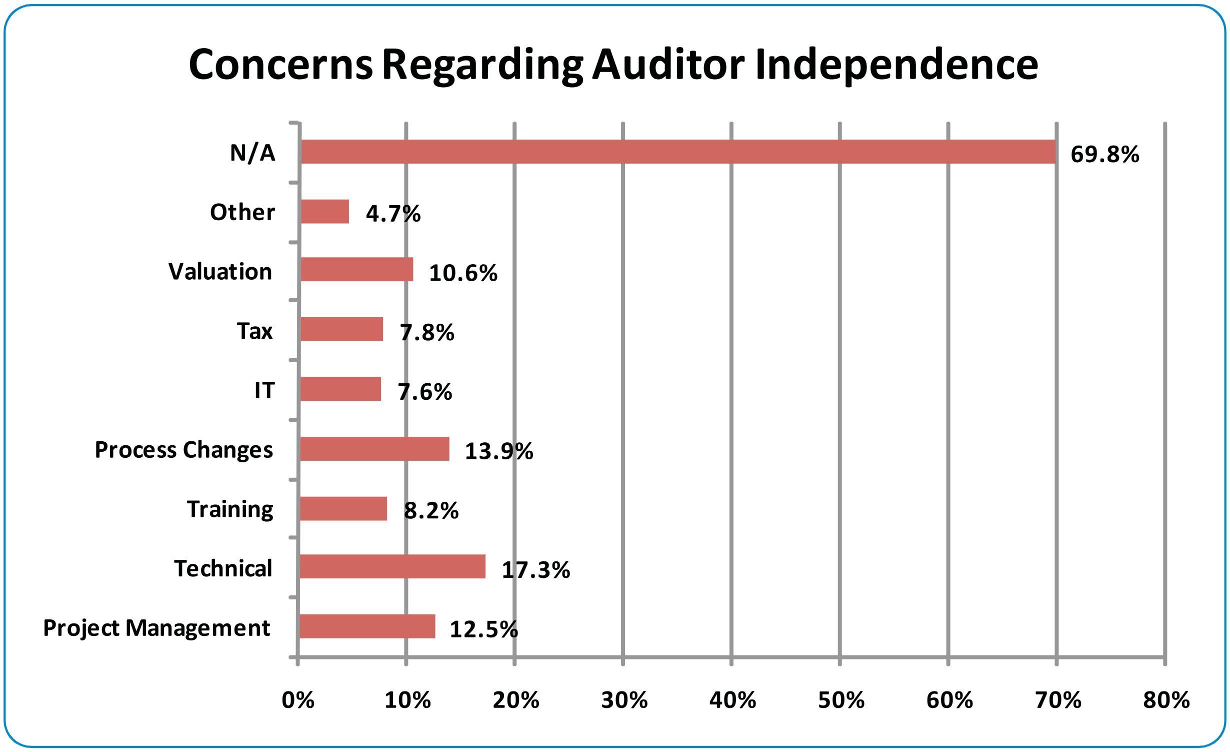
Most senior finance executives agree that their staff is not prepared to conduct the work required for the IFRS conversion. Most will seek the assistance of professional service firms to get the job done. The reasons being - scarce resources and the expectation that external experts are better prepared to provide solutions.

Indeed one of the great challenges in the conversion process to the IFRS is the availability, education and training of accounting personnel. As it stands, 291 (57.1%) of our survey respondents indicated that their staff is not sufficiently prepared on IFRS to be able to conduct the detailed work of implementation. Finding additional resources is also seen as a problem, with 54% indicating that obtaining additional qualified staff will be somewhat or very difficult.

Companies are doing a variety of things to rectify the talent problem. The vast majority (73.3%) are sending their staff to conferences and training seminars. Just over half of respondents said that their staff will be "learning by doing" and roughly 10% will be hiring in-house trainers.

Added pressure on existing staff is expected to be significant as only 12% of senior finance executives expect to add extra personnel to handle the IFRS conversion work-load. Of the companies that will add extra staff, 68 will add between one to five additional accounting professionals. One quarter of respondents said they would be seeking additional resources through larger accounting firms, roughly 17% (86) said that they will seek additional accounting resources through the general labour market and 9% will be accessing the services of temporary agencies to fill interim demand. While it is generally agreed that cultivating/training qualified professionals is important, very few financial executives (7.1%) foresaw the need to offer a premium salary and bonus package to experienced IFRS accountants.

The overwhelming response to ensuring that companies have access to skilled IFRS accounting professionals is to hire the services of a professional accounting firm. Over half of the companies in our sample will be following this strategy, (55%) compared to 30% who will not. Two thirds (66%) will be involving their external auditor in implementing IFRS. The primary reason is the perception that the external auditor will have superior knowledge in the IFRS conversion arena. Internal resource constraints are also a significant factor, followed by the view that using the services of an external auditor will be more cost effective than other resourcing options. Most companies (60.2%) are not concerned about auditor independence issues arising from using the services of their auditors in the IFRS evaluation process. For those companies that foresaw an independence conflict, 17% were concerned about their auditors providing technical advice, 13% were concerned about their involvement in process changes, and 10% foresaw evaluation issues arising.



GETTING THE JOB DONE - SECURING THE TALENT

Along with many companies who are seeking additional accounting professionals in general, Hydro One Inc. is feeling the talent pinch as it tries to implement its strategy of minimizing the reliance on external consultants. Their view is that in order to retain IFRS knowledge in-house, it is important to first acquire it. As Colin Fraser, Manager of Financial Reporting at Hydro One explains, “There is going to be a real talent shortage so we are trying to get as many accounting people in house as possible. Hopefully, they will stay with us so we don’t lose all that institutional memory after the consultants leave.” This is seen as an ongoing problem on two fronts. “First”, says Fraser, “At the best of times it’s hard to find qualified accountants that are capable of doing accounting research and accounting theory, and second, it’s difficult to find people who actually want to do it at the amount of money that most companies are willing to pay out.” Meanwhile, even if the company does manage to attract the people, it doesn’t currently have the policies and procedural structure surrounding IFRS in place to ensure that whomever they train or hire has specified guidelines to follow.

At Clearwater Foods, they’re not only concerned about finding external talent, but training the in-house accountants they currently have. At this time, only two finance people in their accounting department are CAs, the remainder are CMAs and CGAs who have less of a financial reporting background and more background in other areas.

One of the key HR issues at Enbridge Gas is the retention of knowledge. They too are faced with a retiring workforce and scarce accounting talent. At the same time, finding staff to work on IFRS implementation for an extended period of time is difficult under current market conditions. As Bill Ross VP Finance and IT explains, “The problem is that for the so-called “Gen-Connecters” the thought of spending 18 months on a project is not attractive. In order to keep them, you have to keep giving them interesting projects to work on. Gone are the days where people would do this for two years. “Consequently, the passing of knowledge” says Ross, “is the biggest challenge we have.” Another problem going forward surrounds the systems changes that will be required to implement IFRS. According to Ross, “Trying to find people who can modify systems and also understand the accounting implications will be a big constraint.”

> “Our IT concern is as great as our accounting problem.”
>
> Senior Manager, Investment Accounting, bcIMC

IFRS TRAINING - BACK TO SCHOOL

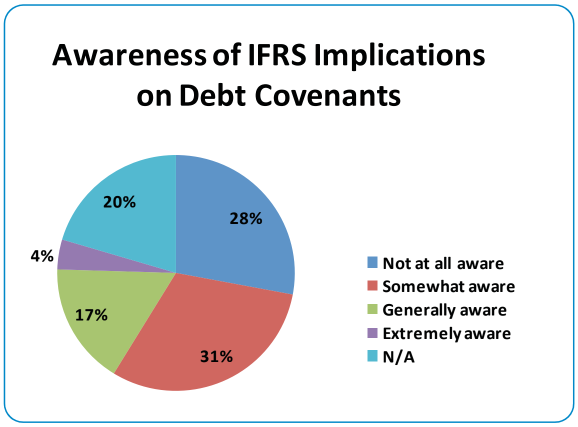
What are the universities doing about training new accounting graduates in IFRS? Through an informal survey done by Professor Barry Gorman, Accounting Professor at St. Mary's University and Chairman of CFERF, we learn that the vast majority of universities today are relying on the textbook authors to write IFRS material. Many schools are aware of the IFRS and several are starting to actively implement IFRS education. Says Prof Gorman, "I suspect there won't be too many people graduating who aren't aware of the IFRS. While most faculty members seem to be up to date on the IFRS", says Gorman, "the vast majority of accounting professors view this as nothing more than a change of the speed limit on a highway. There are some that are looking beyond that when it comes to things like fair value, but that's about it. I would argue", says Gorman, "that the IFRS is much more than a speed change, as this forum bears out, and I would encourage everyone as they go back to their alumni parties to make this known."

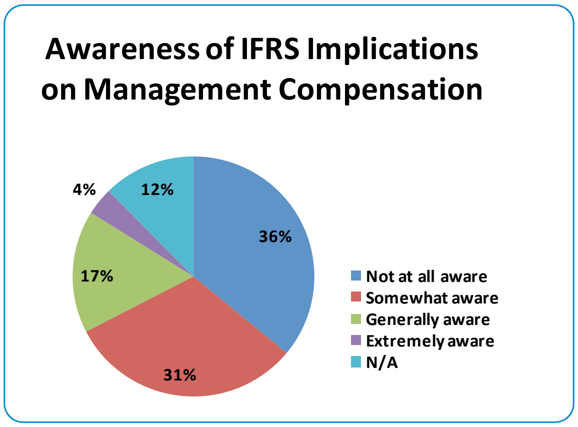
Academia and business have come together to the meet the education challenge head on. Clearwater foods has partnered with St. Mary's in a pilot project whereby St. Mary's business school students intern on the IFRS implementation project over a period of several months. The project team helps collect background data and at the same time gain an understanding of both the technical and conceptual underpinnings of the IFRS.

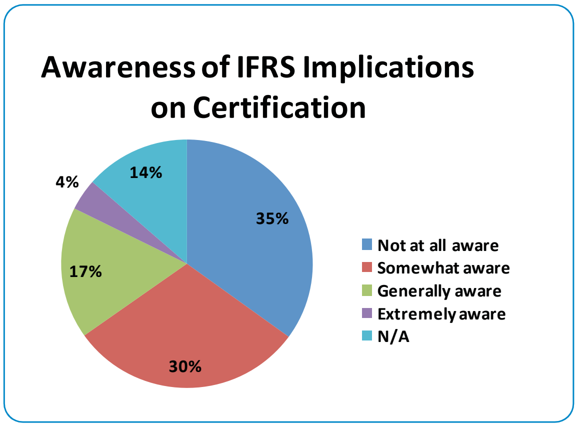
Appendix A: Executive Research Forum Participants

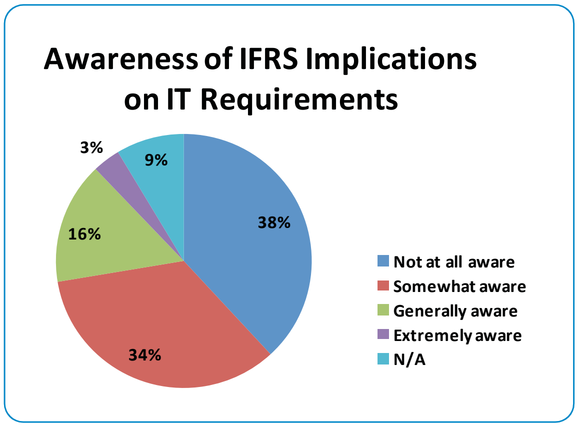
Forum Chair:	Barry Gorman, Chairman of the Board, CFERF, Professor of Accounting – St. Mary's University
Moderators:	Alister Cowan, Exec. VP & Chief Finance and Compliance Officer – BC Hydro & Power Authority Rafik Greiss, Partner and Canadian IFRS Leader, Ernst & Young
FEI Canada:	Ramona Dzinkowski, Executive Director – CFERF Lindsay Collins, Mgr of Research and Communications – FEI Canada Cameal Prince, Director of Events – FEI Canada
Observers:	Paul Cherry, Chair of Canadian Accounting Standards Board - CICA Marion Kirsh, Associate Chief Accountant – Ontario Securities Commission Peter Martin, Director of Accounting Standards – CICA Darla Sycamore, Director-at Large – CFERF Ladanna James, Thought Leadership Strategist – Ernst & Young
Participants:	Denise Arsenault, VP Finance – Formerly with MDS Inc. Anne Bell, Canadian Regional Managing Director – Resource Global Professionals Jennifer Best-White, Mgr Corp. Finance & Investor Relations – Clearwater Seafood Income Trust Jason Boyd, Corporate Controller – Greater Toronto Airport Authority Tim Deacon, VP International Accounting & Policy – Manulife Financial Colin Fraser, Mgr Financial Reporting – Hydro One Inc. Daniel Garant, Executive VP & CFO – Hydro Quebec Lisa Hofstatter, Associate Chief Accountant – BMO Financial Group Nancy Lala, CFO – Morneau Sobeco Cathy Macarthur, Sr. Mgr. Investment Accounting – B.C. Investment Management Richard Provost, Director Accounting Policies – Bell Canada Enterprises Bill Ross, VP Finance & Information Technology - Enbridge Gas Distribution

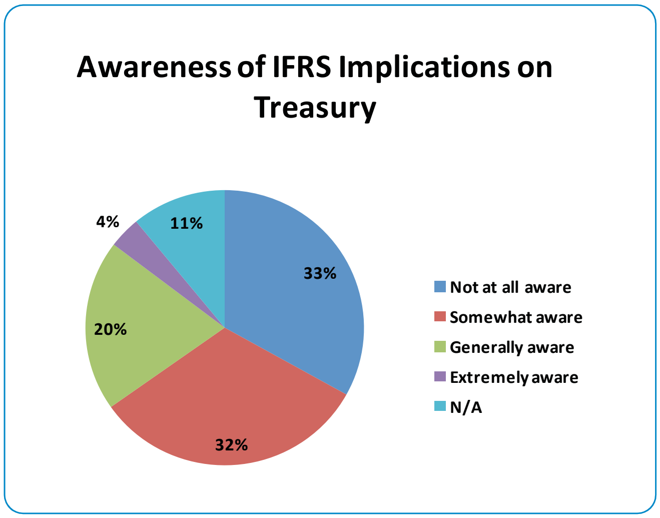
Appendix B:
Awareness of IFRS Implications



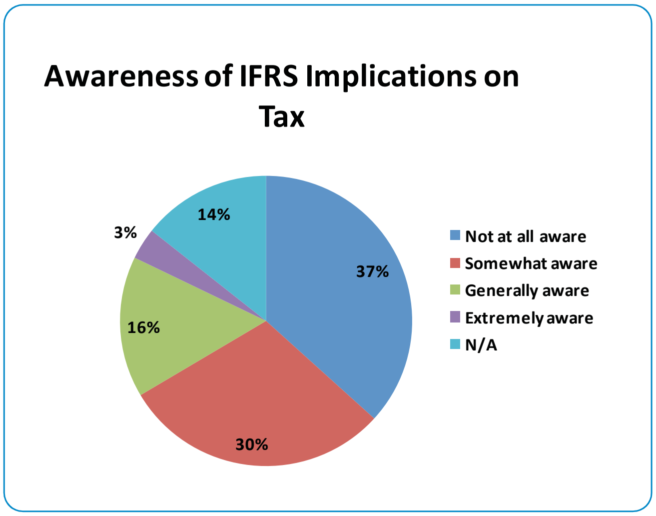




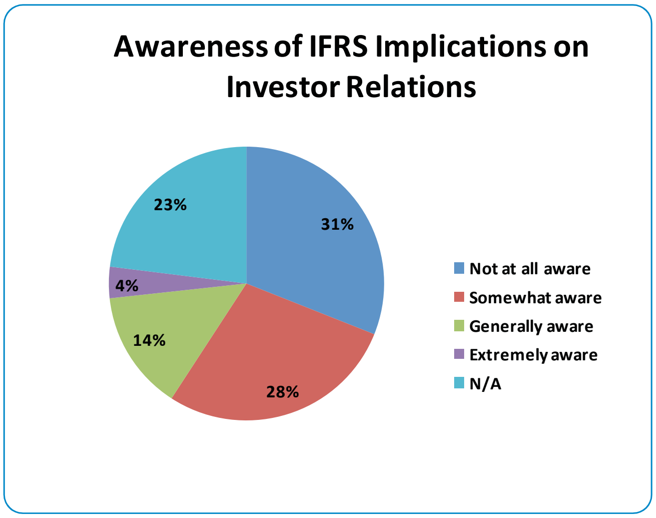




Awareness of IFRS Implications on Treasury
33%
32%
20%
4%
11%
Not at all aware
Somewhat aware
Generally aware
Extremely aware
N/A

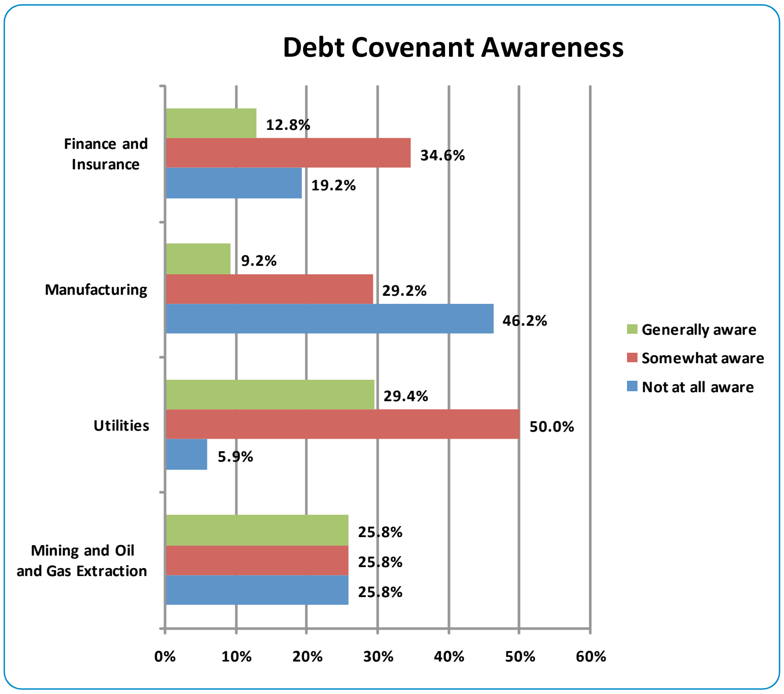


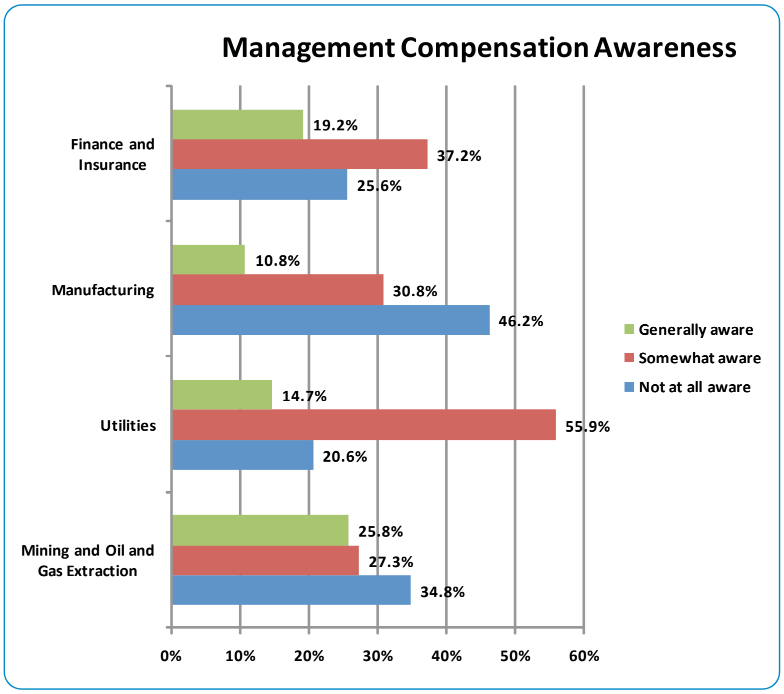
Awareness of IFRS Implications on Tax
37%
30%
16%
3%
14%
Not at all aware
Somewhat aware
Generally aware
Extremely aware
N/A

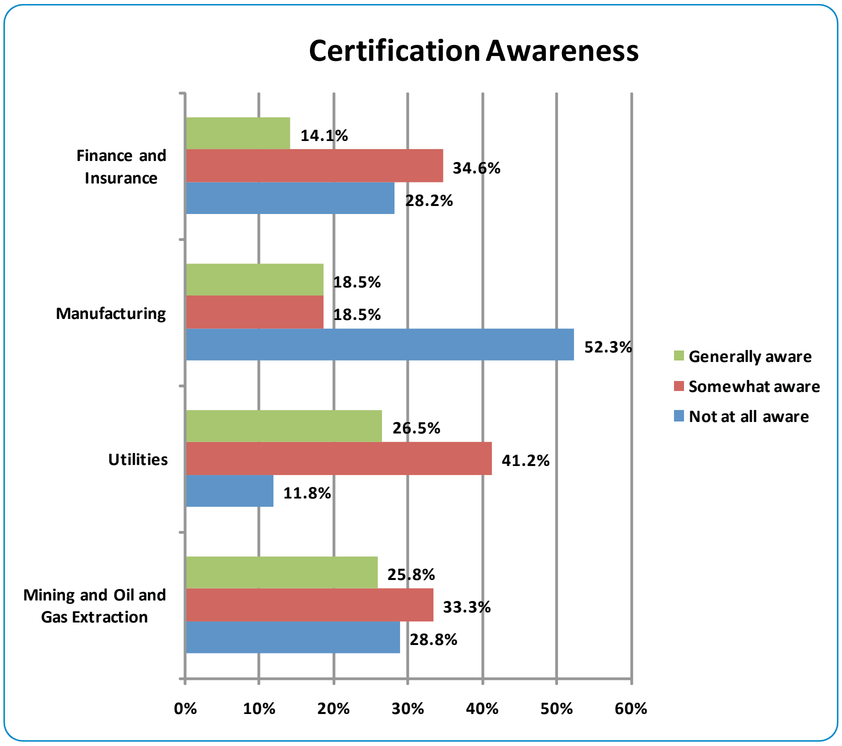


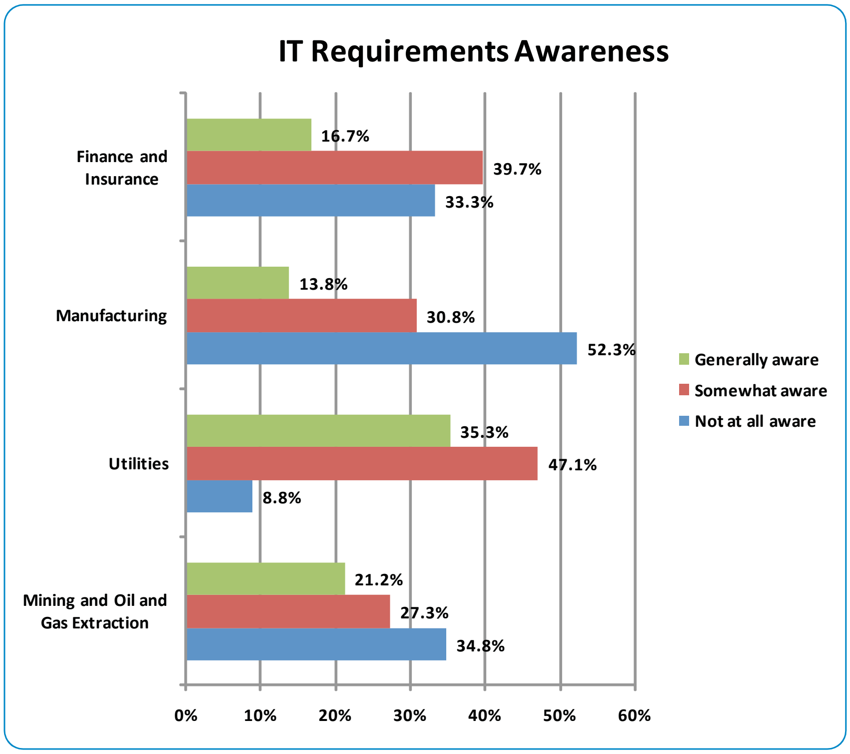
Awareness of IFRS Implications on Investor Relations
31%
28%
14%
4%
23%
Not at all aware
Somewhat aware
Generally aware
Extremely aware
N/A

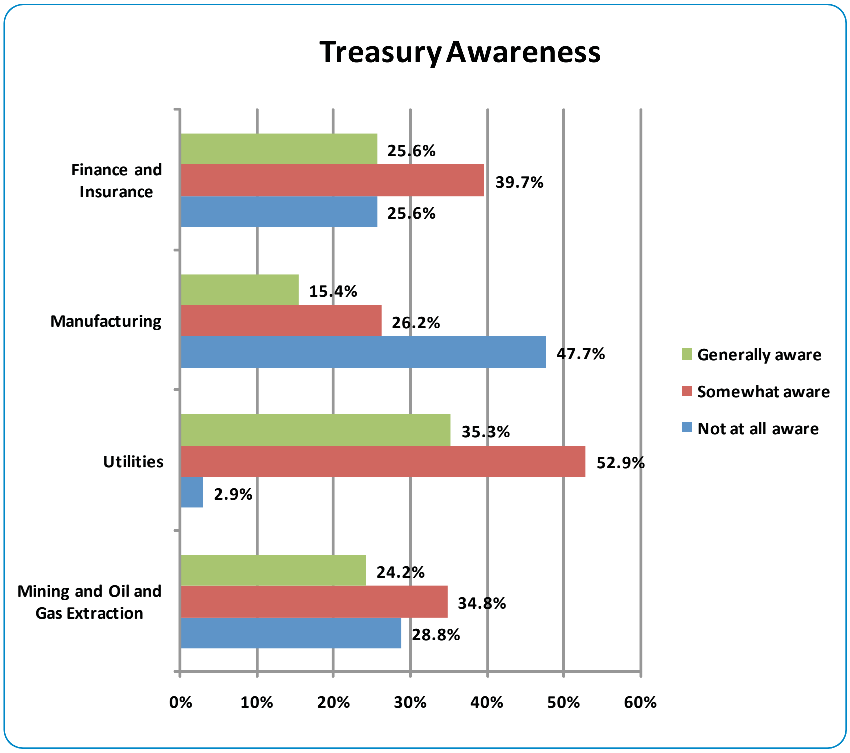
Appendix C:
Awareness of IFRS implications by Industry Classification

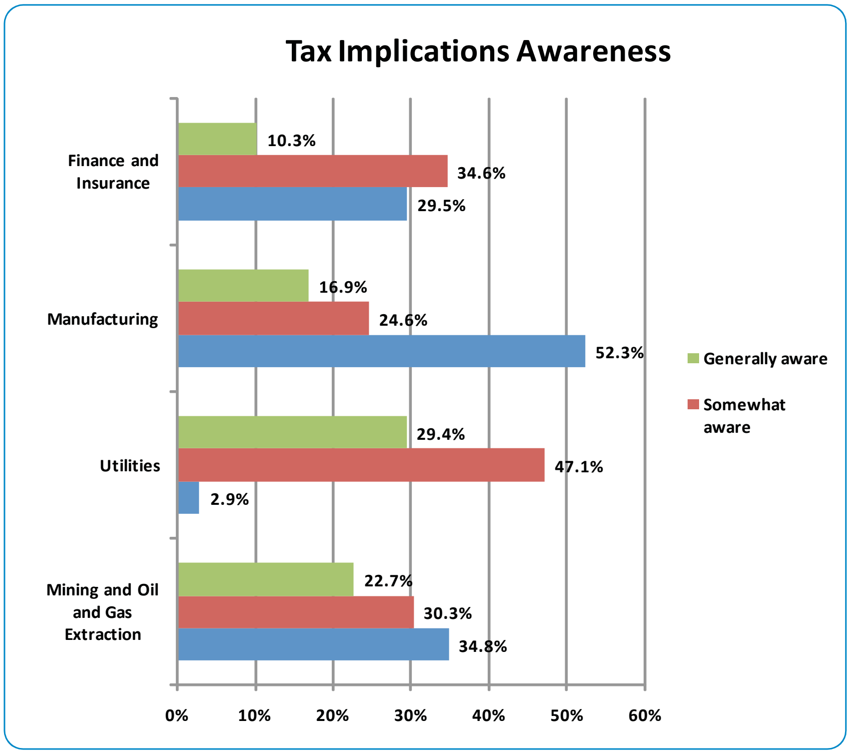


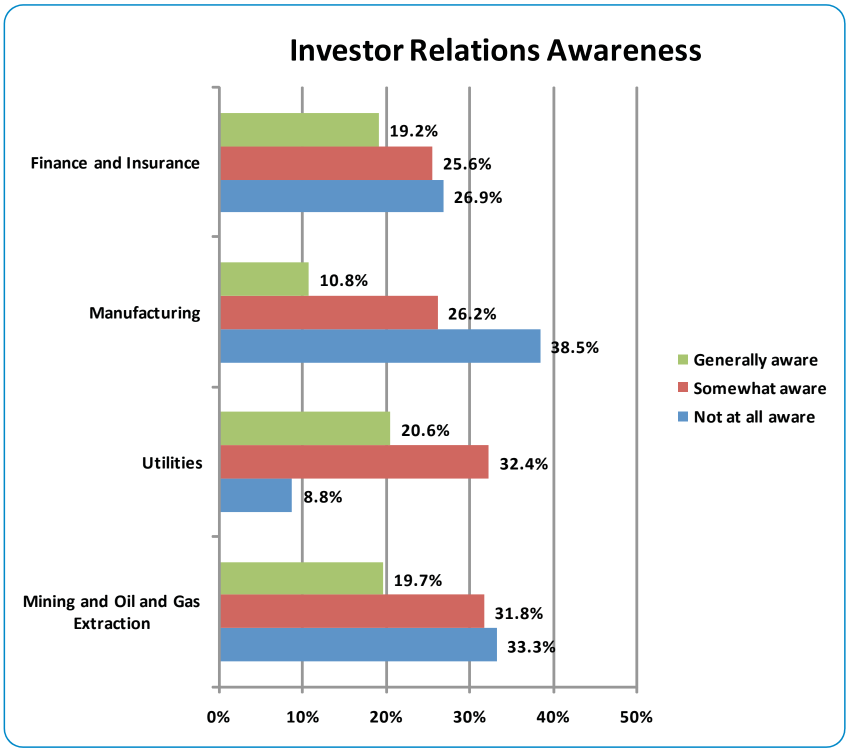



Certification Awareness
Finance and Insurance
Manufacturing
Utilities
Mining and Oil and Gas Extraction
14.1%
34.6%
28.2%
18.5%
18.5%
52.3%
26.5%
41.2%
11.8%
25.8%
33.3%
28.8%
0%
10%
20%
30%
40%
50%
60%
Generally aware
Somewhat aware
Not at all aware


IT Requirements Awareness
Finance and Insurance
Manufacturing
Utilities
Mining and Oil and Gas Extraction
16.7%
39.7%
33.3%
13.8%
30.8%
52.3%
35.3%
47.1%
8.8%
21.2%
27.3%
34.8%
0%
10%
20%
30%
40%
50%
60%
Generally aware
Somewhat aware
Not at all aware


Treasury Awareness
Finance and Insurance
Manufacturing
Utilities
Mining and Oil and Gas Extraction
25.6%
39.7%
25.6%
15.4%
26.2%
47.7%
35.3%
52.9%
2.9%
24.2%
34.8%
28.8%
0%
10%
20%
30%
40%
50%
60%
Generally aware
Somewhat aware
Not at all aware


Tax Implications Awareness
Finance and Insurance
Manufacturing
Utilities
Mining and Oil and Gas Extraction
10.3%
34.6%
29.5%
16.9%
24.6%
52.3%
29.4%
47.1%
2.9%
22.7%
30.3%
34.8%
0%
10%
20%
30%
40%
50%
60%
Generally aware
Somewhat aware


Investor Relations Awareness
Finance and Insurance
Manufacturing
Utilities
Mining and Oil and Gas Extraction
19.2%
25.6%
26.9%
10.8%
26.2%
38.5%
20.6%
32.4%
8.8%
19.7%
31.8%
33.3%
0%
10%
20%
30%
40%
50%
Generally aware
Somewhat aware
Not at all aware

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