

International Financial Reporting Standards (IFRS)

CAMPUT CONFERENCE
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IFRS Agenda



- ❖ Gaz Métro's overview

- ❖ IFRS project
- ❖ Getting Ready... one year later!
- ❖ Evolution of IFRS
- ❖ Transition to IFRS
- ❖ Regulatory assets and liabilities
- ❖ What's next?

Gaz Métro's Overview



- ❖ Assets of \$3.3 billions
- ❖ Québec largest natural gas distributor with 171,000 customers, 10,000 km of pipe and throughput of approximately 180 Bcf
- ❖ Active in electric and natural gas distribution in Vermont through Vermont Gas Systems and Green Mountain Power
- ❖ Partnership investment in pipeline (TQM, PNGTS) and storage facilities (Intragaz)
- ❖ 95% of net income from regulated activities

Getting Ready... one year later!



In 2009

❖ Awareness → Anxiety

❖ Action → Anxiety → Frustration

One year later, more and more...

❖ Action → More anxiety → More frustration

Evolution of IFRS



❖ IASB work plan

- All is moving... more than 25 projects of amendments and new standards for IASB for the next years!
- In particular
 - Rate-regulated activities (RRA)
 - Conceptual framework
 - Revenue recognition
 - Post-employment benefits (incl. Pensions)
 - Financial instruments
 - Consolidation
- A lot of delay, IASB is overloaded!

Transition to IFRS



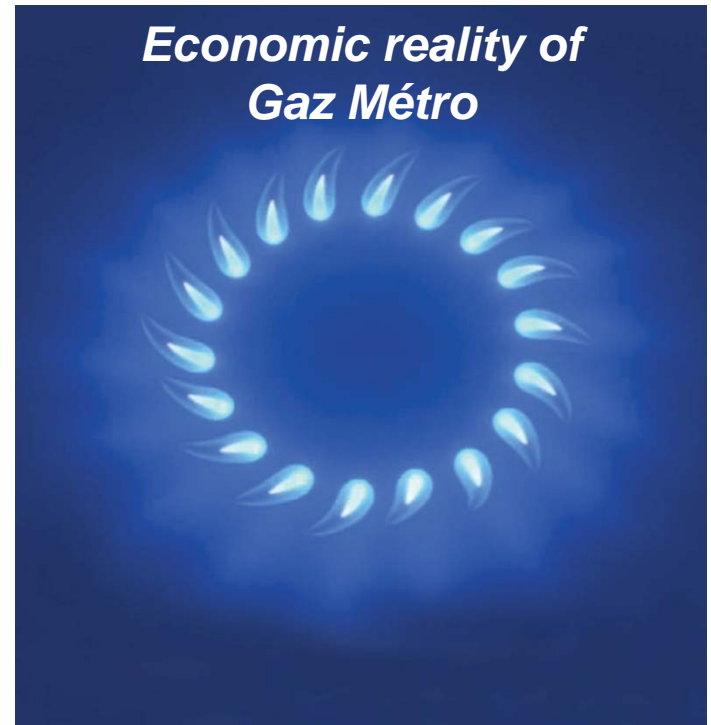
❖ How to manage this change?

- Except RRA accounting, no big issue, IFRS conversion project is manageable!
- And what about RRA accounting?
 - Big 4, IASB staff, AcSB and others... no body wants to pronounce on the subject.
 - So, what do we do? Wait, wait and wait... a standard expected for December 2011? maybe!
 - A lot of uncertainty, how will the 2011 financial statements look?
 - Opening balance sheet – Good news, an exemption for Property, plant and equipment.
 - What will we do with the regulatory assets and liabilities?

Regulatory Assets and Liabilities



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Regulatory Assets and Liabilities (cont'd)



- ❖ Permitted under Canadian GAAP, why not under IFRS?

- ❖ Regulatory treatments reflected in the financial statement:
 - Economic reality
 - Impacts of the act – No profit or loss allowed!
 - Cost of gas
 - PGA and derivative on commodity
 - In the best interest of customers and shareholders
 - Two sets of book – Not viable on a long-term basis

Regulatory Assets and Liabilities (cont'd)



❖ Non publication of a standard on RRA – Consequences?

- Harmonisation of regulatory treatments with IFRS – The opposite should occur.

- **Different interpretations**



- **Objectives of IFRS**

→ Comparability of financial statements?

- Impacts in the market
 - Inconsistency between rates and IFRS revenues and income – Confusion for customers and shareholders!
 - Non GAAP measures – more and more in MD&A and financial statements
 - IT modifications: not ready on time!

What's next?



- ❖ IASB meeting in spring 2010 – RRA project, what will happen?
- ❖ Work all together:
 - To influence the IASB RRA project
 - Position paper for the recognition of the regulatory assets and liabilities under actual IFRS
 - Harmonize as much as we can the regulatory treatments with IFRS