

April 13, 2009

International Accounting Standards Board 30 Cannon Street London, United Kingdom EC4M 6XH

RE COMMENTS ON DISCUSSION PAPER FOR PRELIMINARY VIEWS ON FINANCIAL STATEMENT PRESENTATION

Dear IASB,

Peyto Energy Trust and its management appreciate the opportunity to comment on the joint Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) Discussion Paper, Preliminary Views on Financial Statement Presentation. Peyto Energy Trust is a publicly traded natural gas exploration and production company with operations in Canada which has been in business for a period of ten years with a market capitalization of more than \$1 billion.

We believe that providing complete, concise and useful information for our financial statement users should be our primary objective in the preparation of our financial statements. We not only do this through the preparation of financial statements but through other ongoing communication documents (such as Management, discussion and analysis, annual information forms, management information circulars and press releases) and through our obligation to provide continuous disclosure to our users as required under our securities regulators as financial statements prepared on a quarterly and annual basis are only a piece of the information story that we communicate to our users over the course of a year.

We do not believe that the preliminary views as expressed in this discussion paper would provide any more useful information to our users than what we would currently supply under IFRS. We do not agree with the prescriptive nature of the proposed financial statement formats and contents as described in the discussion paper. The prescriptive nature of this discussion paper is inconsistent with how management designs and prepares information for internal decision making which arguably is the most relevant information a user may need. This would result in inconsistencies with how we as management gather and report information for operating our business and how we would prepare information for the users of our financial statements.

Our current financial community has learned to understand and interpret our and other entities current financial statements through a process beginning with post secondary education through to the most sophisticated of investors. We believe the Board's intentions to improve on the existing financial statement presentation may need to be re-evaluated in terms of objectives, format and content as the discussion paper as proposed is a significant and fundamental change in how financial information is presented.

We believe that a period of five to six months to evaluate the impact of these changes is unreasonable. A change, if any, of this significance should be a long term project for the reasons indicated above and not something introduced over our already busy financial reporting season. This change as proposed would take an extensive amount of resources and time to re-educate the financial community of the impact and of the benefits, of the proposed changes and that without

everyone's extensive input, assessment, cost benefit analysis, re-assessment, education and communication plan we feel that users will abandon there use of the financial statements in favor of other communications about the entities performance, ultimately defeating the purpose of the Board's exceptional past work.

We request you to consider re-evaluating the needs of all users, including those of the entity's management, the unsophisticated user through to the sophisticated user; for when we discussed and demonstrated the impact of the changes to our management team, some of our equity investors, investment analysts and our bankers, all felt that the benefits were not apparent in how they conduct business with Peyto Energy Trust.

Our responses to your questions in regards to the exposure draft are included in the attached below;

Yours truly,

Kathy Turgeon, CA Chief Financial Officer

Discussion Questions

Chapter 2: Objectives and principles of financial statement presentation

Q1 - Would the objectives of financial statement presentation proposed in paragraphs 2.5-2.13 improve the usefulness of the information provided in an entity's financial statements and help users make better decisions in their capacity as capital providers? Why or why not? Should the boards consider any other objectives of financial statement presentation in addition to or instead of the objectives proposed in this discussion paper? If so, please describe and explain.

A set of financial statements is made up of several or more distinct statements and each statement has a purpose separate from that of each other. There are some benefits to ensuring that the different statements are somewhat cohesive and easily understandable in terms of relationships between the components of each statement and the statements as a whole. The Board's stated that they considered other alternatives; however, what were the other alternatives other than making each statement look like a cash flow statement by segregating operating, investing and financing activities.

We feel that the disaggregation objective is a valid objective, however by being prescriptive in the level of disaggregation between activities, function and nature of transactions and balances information will be presented within the financial statements that may require additional costs where the users do not benefit. The disaggregation of function and nature should be a management decision on how they communicate financial statement information to their users.

Currently under GAAP information related to financial instruments and their sensitivities to market data and their expected amount and timing of realization are already disclosed within the financial statements. Current disclosure also require an entity to disclose its capital disclosures related to what constitutes capital and management's objectives and processes for managing capital. Items in the financial statements not covered by either of these two existing requirements would have to me material to the financial statement users and thus would not management be obligated to disclose material liquidity and financial flexibility issues as a matter of prudence.

Q2 - Would the separation of business activities from financing activities provide information that is more decision-useful than that provided in the financial statement formats used today (see paragraph 2.19)? Why or why not?

We believe that there is some value in disaggregating information as noted in question one above, however, we would like to know what other alternatives were considered which lead to this choice. We feel that the cost benefit for users is limited for when we demonstrated the differences to several of our key users none saw the immediate benefit.

Q3 - Should equity be presented as a section separate from the financing section or should it be included as a category in the financing section (see paragraphs 2.19(b), 2.36 and 2.52-2.55)? Why or why not?

We believe equity is a form of financing similar to debt, where management is given the choice to issue equity or issue debt in order to provide the capital required to operate and/or expand the entity's operations. As such we believe the equity component should be classified as a component of financing activities. This would result in a statement of financial position that

would not have assets balancing to liabilities and equity or net assets balancing to equity. This type of format would require further consideration on the cost benefits compared to the traditional format or the proposed format.

Q4 - In the proposed presentation model, an entity would present its **discontinued operations** in a separate section (see paragraphs 2.20, 2.37 and 2.71–2.73). Does this presentation provide decision-useful information? Instead of presenting this information in a separate section, should an entity present information about its discontinued operations in the relevant categories (operating, investing, financing assets and financing liabilities)? Why or why not?

Peyto Energy Trust does not currently have or has had in the past discontinued operations, therefore we have no comment.

- Q5 The proposed presentation model relies on a management approach to classification of assets and liabilities and the related changes in those items in the sections and categories in order to reflect the way an item is used within the entity or its reportable segment (see paragraphs 2.27, 2.34 and 2.39-2.41).
- (a) Would a management approach provide the most useful view of an entity to users of its financial statements?
- (b) Would the potential for reduced comparability of financial statements resulting from a management approach to classification outweigh the benefits of that approach? Why or why not?

We believe that a management approach to classification of assets and liabilities and related charges is the best approach. Entities within the same industry are typically operated similarly, however their methods of financing may alter significantly. Therefore, entities within the same industry will likely reach similar classifications as their peer group.

Q6 - Paragraph 2.27 proposes that both assets and liabilities should be presented in the business section and in the financing section of the **statement of financial position**. Would this change in presentation coupled with the separation of business and financing activities in the statements of comprehensive income and cash flows make it easier for users to calculate some key financial ratios for an entity's business activities or its financing activities? Why or why not?

We believe that the classification of all statements into similar categories would allow some users to calculate some specific key financial ratios more easily. However, the categorization as proposed in the discussion paper would also hinder the calculation of other key ratios calculated today. The Board should not only consider the requests of those requesting the disaggregation but the cost benefit that will not be realized by the users who currently are not requesting the additional information.

Ultimately, if users are requesting information from entities, it would be prudent of management to include that information to the extent that their users are requesting it either through presentation changes or additional disclosure and not to be prescribed by the Boards.

Q7 - Paragraphs 2.27, 2.76 and 2.77 discuss classification of assets and liabilities by entities that have more than one reportable segment for segment reporting purposes. Should those entities classify assets and liabilities (and related changes) at the reportable segment level as proposed instead of at the entity level? Please explain.

Peyto Energy Trust does not have reportable segments, therefore we have no comment.

Q8 - The proposed presentation model introduces sections and categories in the statements of financial position, comprehensive income and cash flows. As discussed in paragraph 1.21(c), the boards will need to consider making consequential amendments to existing segment disclosure requirements as a result of the proposed classification scheme. For example, the boards may need to clarify which assets should be disclosed by segment: only total assets as required today or assets for each section or category within a section. What, if any, changes in segment disclosures should the boards consider to make segment information more useful in light of the proposed presentation model? Please explain.

Peyto Energy Trust does not have reportable segments, therefore we have no comment.

Q9 - Are the business section and the operating and investing categories within that section defined appropriately (see paragraphs 2.31-2.33 and 2.63-2.67)? Why or why not?

See response to question one and two above.

Q10 - Are the financing section and the financing assets and financing liabilities categories within that section defined appropriately (see paragraphs 2.34 and 2.56-2.62)? Should the financing section be restricted to financial assets and financial liabilities as defined in IFRSs and US GAAP as proposed? Why or why not?

See response to question one and two above.

Chapter 3: Implications of the objectives and principles for each financial statement

- Q11 Paragraph 3.2 proposes that an entity should present a classified statement of financial position (short-term and long-term subcategories for assets and liabilities) except when a presentation of assets and liabilities in order of liquidity provides information that is more relevant.
- (a) What types of entities would you expect **not** to present a classified statement of financial position? Why?
- (b) Should there be more guidance for distinguishing which entities should present a statement of financial position in order of liquidity? If so, what additional guidance is needed?

As an oil and gas exploration and development company we would only present a classified statement, and have no comment on what should be prescribed for specific industries other than our own.

Q12 - Paragraph 3.14 proposes that cash equivalents should be presented and classified in a manner similar to other short-term investments, not as part of cash. Do you agree? Why or why not?

We believe that cash equivalents are used as a means for management to be prudent by not having cash sit idle earning some sort of return for the time it is idle. Management makes decisions as to how liquid they keep this cash, therefore if cash equivalents are something other than liquid and readily available, management should disclose this fact, including the nature of the investment and the expected time frame the cash equivalents will become available for use. Therefore, cash should be presented as part of cash unless management has made decisions which treat it otherwise.

Q13 - Paragraph 3.19 proposes that an entity should present its similar assets and liabilities that are measured on different bases on separate lines in the statement of financial position. Would this disaggregation provide information that is more decision-useful than a presentation that permits line items to include similar assets and liabilities measured on different bases? Why or why not?

We believe that it is important for users to know the measurement bases for assets and liabilities, however disaggregating these on the face of the financial statements would not provide any more beneficial information that disclosing the information in the notes to the financial statements. Given the level of disaggregation proposed in this discussion paper on the function and nature of account balances and transactions, further disaggregation on the face of the financial statements by measurement base would provide even a further limited benefit to a limited amount of users.

Q14 - Should an entity present comprehensive income and its components in a single statement of comprehensive income as proposed (see paragraphs 3.24–3.33)? Why or why not? If not, how should they be presented?

We believe that the combination of the Statement of Net Income and the Statement of Other Comprehensive Income into a single Statement of Comprehensive Income would be beneficial for the user as it would eliminate the differences between the comparability of entities.

We do hope that the Board understands and continues to understand the importance of such subtotals as operating income and net income and that the choice to add or eliminate sub-totals for purpose of providing more relevant information for the financial statement user of a specific entity should always be a management choice and not prescribed by the Board.

Q15 - Paragraph 3.25 proposes that an entity should indicate the category to which items of other comprehensive income relate (except some foreign currency translation adjustments) (see paragraphs 3.37–3.41). Would that information be decision-useful? Why or why not?

We believe that providing the category to which other comprehensive income items would be classified into the other financial statements would be beneficial for a user to understand the relationships between other comprehensive income items and the assets, liabilities and transactions of an entity.

Q16 - Paragraphs 3.42—3.48 propose that an entity should further disaggregate within each section and category in the statement of comprehensive income its revenues, expenses, gains and losses by their function, by their nature, or both if doing so will enhance the usefulness of the information in predicting the entity's future cash flows. Would this level of disaggregation provide information that is decision-useful to users in their capacity as capital providers? Why or why not?

We believe that disaggregation of income and expenses by function or nature may provide useful information to the users of the financial statements for most entities, however the disaggregation of income and expense items by both function and nature being prescribed by the board may result in financial statements that are prepared without cost benefit objectives being considered. If users of management's financial statements require further disaggregation management would be prudent to provide such information either on the face of the financial statements or within the note disclosures. The disaggregation of income and expense items by both function and nature should not be prescribed by the Board.

Q17 - Paragraph 3.55 proposes that an entity should allocate and present income taxes within the statement of comprehensive income in accordance with existing requirements (see paragraphs 3.56-3.62). To which sections and categories, if any, should an entity allocate income taxes in order to provide information that is decision-useful to users? Please explain.

We believe that the users of our financial statements would prefer that income tax effects relating to discontinued operations and other comprehensive income items should be presented together with their sources and separate from income taxes from continuing operations.

- Q18 Paragraph 3.63 proposes that an entity should present foreign currency transaction gains and losses, including the components of any net gain or loss arising on remeasurement into its functional currency, in the same section and category as the assets and liabilities that gave rise to the gains or losses.
- (a) Would this provide decision-useful information to users in their capacity as capital providers? Please explain why or why not and discuss any alternative methods of presenting this information.
- (b) What costs should the boards consider related to presenting the components of net foreign currency transaction gains or losses for presentation in different sections and categories?

Peyto Energy Trust does not have foreign currency transaction gains and losses, therefore we have no comment.

- Q19 Paragraph 3.75 proposes that an entity should use a direct method of presenting cash flows in the statement of cash flows.
- (a) Would a direct method of presenting operating cash flows provide information that is decision-useful?
- (b) Is a direct method more consistent with the proposed cohensivenes and disaggregation objectives (see paragraphs 3.75-3.80) than an indirect method? Why or why not?
- (c) Would the information currently provided using an indirect method to present operating cash flows be provided in the proposed reconciliation schedule (see paragraphs 4.19 and 4.45)? Why or why not?

Currently under IFRS, entity's have the choice of presenting their cash flow statement using either the direct method or the indirect method. The Board has clearly stated in its summary (S12) "...that the reconciling of profit or loss or net income to net operating cash flows (indirect method) as most entities do today". Given that most entities have chosen to prepare the cash flow statement under the indirect method when given the choice, it would be very prescriptive of the Board to force an entity to use a method other than management's current decision when given the choice as we would likely prepare the statement as we feel best addresses the needs of the users of our financial statements.

We believe that the cash flows under the direct method do not fulfill the cohesiveness objective any more than the indirect method of preparing the statement of cash flows. The current statement of cash flows are disaggregated either on the face of the statement of cash flows or within the note disclosures to the extent that management feels the information would be beneficial to the user.

Considering the use of the indirect method of presenting cash flows in the statement of cash flows already reconciles profit or net income to operating cash flows, additional information related to accruals, re-measurements and fair value changes could be dealt with through additional note disclosure if determined by management to be beneficial to the user.

Q20 - What costs should the boards consider related to using a direct method to present operating cash flows (see paragraphs 3.81–3.83)? Please distinguish between one-off or one-time implementation costs and ongoing application costs. How might those costs be reduced without reducing the benefits of presenting operating cash receipts and payments?

One time costs;

- Development of the accounting policies, procedures, application software for identifying cash flow elements of each transaction
- Amendment of management reporting policies and procedures
- Amendment of consolidation policies and procedures
- Change management costs
- Generation of comparable information for reporting purposes

On gong costs

- Accounting and time resources to reconcile the reportable cash flow elements
- Audit costs as amounts are derived at through a combination of and recombination of numbers with other statements
- Reporting costs related to additional time and resource requirements
- Documentation costs of generating additional schedules and information
- Amendment of software applications to reflect changes in future unknown business decisions

Cost reducers

- The ability for management to decide on the method of presenting cash flows (indirect versus direct) rather than the Board be prescriptive on the only using the direct method
- Allowing management to decide on the level of disaggregation beneficial to its users based on their specific users and allowing management to adapt is level of disaggregation based on their industry standards.
- Q21 On the basis of the discussion in paragraphs 3.88–3.95, should the effects of basket transactions be allocated to the related sections and categories in the statement of comprehensive income and the statement of cash flows to achieve cohesiveness? If not, in which section or category should those effects be presented?

Peyto Energy Trust does not currently have basket transactions, therefore we have no comment.

Chapter 4: Notes to financial statements

Q22 - Should an entity that presents assets and liabilities in order of liquidity in its statement of financial position disclose information about the maturities of its short-term contractual assets and liabilities in the notes to financial statements as proposed in paragraph 4.7? Should all entities present this information? Why or why not?

No, we believe that an entity should not be prescribed to present assets and liabilities in order of liquidity in its statement of financial position. We believe that the Board should continue to allow entities to present its assets and liabilities under a classification method.

Should the maturity of an asset or liability be materially different from the expectation of a user of the financial statement, management would be obligated to disclose this material difference. In

addition the current disclosure requirements related to the maturities of financial instrument liabilities provides users with more than enough information on entities obligations.

- Q23 Paragraph 4.19 proposes that an entity should present a schedule in the notes to financial statements that reconciles cash flows to comprehensive income and disaggregates comprehensive income into four components:
- (a) cash received or paid other than in transactions with owners, (b) accruals other than remeasurements, (c) remeasurements that are recurring fair value changes or valuation adjustments, and (d) remeasurements that are not recurring fair value changes or valuation adjustments.
- (a) Would the proposed reconciliation schedule increase users' understanding of the amount, timing and uncertainty of an entity's future cash flows? Why or why not? Please include a discussion of the costs and benefits of providing the reconciliation schedule.
- (b) Should changes in assets and liabilities be disaggregated into the components described in paragraph 4.19? Please explain your rationale for any component you would either add or omit.
- (c) Is the guidance provided in paragraphs 4.31, 4.41 and 4.44–4.46 clear and sufficient to prepare the reconciliation schedule? If not, please explain how the guidance should be modified.

We believe that if forced to adopt the direct method of presenting cash flows in the statement of cash flows that the proposed reconciliation schedule as noted above would unfortunately be a necessary evil to helping the user understand the changes proposed to financial statement presentation. However, we do believe that being able to be continued to be allowed to the use the indirect method of presenting cash flows which does indirectly reconcile comprehensive income to operating cash flows removes the need to provide this reconciliation schedule and that the Boards concerns of remeasurements could be addressed through additional disclosure requirements.

Q24 - Should the boards address further disaggregation of changes in fair value in a future project (see paragraphs 4.42 and 4.43)? Why or why not?

We believe that the disaggregation of fair value if deemed to be beneficial information to the user of the financial statements should be addressed in a future project outside of financial statement presentation as this information would require more input on disaggregation levels and categories of fair value changes which are outside the scope of this discussion paper. The future project could address such things as;

- Scope and materiality
- Measurement base
- Accrual versus actual
- Allocation of fair value
- Re-measurement factors
- Recurring versus non-recurring
- Classification changes

Q25 - Should the boards consider other alternative reconciliation formats for disaggregating information in the financial statements, such as the statement of financial position reconciliation and the statement of comprehensive income matrix described in Appendix B, paragraphs B10—B22? For example, should entities that primarily manage assets and liabilities rather than cash flows (for example, entities in the financial services industries) be required to use the statement of financial position reconciliation format rather than the proposed format that reconciles cash flows to comprehensive income? Why or why not?

Peyto Energy Trust is not a financial services business, therefore we have no comment.

- Q26 The FASB's preliminary view is that a memo column in the reconciliation schedule could provide a way for management to draw users' attention to unusual or infrequent events or transactions that are often presented as special items in earnings reports (see paragraphs 4.48–4.52). As noted in paragraph 4.53, the IASB is not supportive of including information in the reconciliation schedule about unusual or infrequent events or transactions.
- (a) Would this information be decision-useful to users in their capacity as capital providers? Why or why not?
- (b) APB Opinion No. 30 Reporting the Results of Operations—Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions, contains definitions of unusual and infrequent (repeated in paragraph 4.51). Are those definitions too restrictive? If so, what type of restrictions, if any, should be placed on information presented in this column?
- (c) Should an entity have the option of presenting the information in narrative format only?

We believe that if the information would be valuable to the users of the financial statements. The management of the entity should be able to either disaggregate or disclose unusual or infrequent events or transactions from all other information.

Q27 - As noted in paragraph 1.18(c), the FASB has not yet considered the application of the proposed presentation model to non-public entities. What issues should the FASB consider about the application of the proposed presentation model to non-public entities? If you are a user of financial statements for a non-public entity, please explain which aspects of the proposed presentation model would and would not be beneficial to you in making decisions in your capacity as a capital provider and why.

Peyto Energy Trust does not currently use non-public financial statements, therefore we have no comment.