





McCain Foods Limited

Brookfield Place, 181 Bay Street, Suite 3600 Toronto, Ontario, Canada M5J 2T3

Telephone: (416) 955-1700 Facsimile: (416) 955-1750

April 14, 2009

International Accounting Standards Board 30 Cannon Street London EC4M 6XH ENGLAND

Dear Sirs:

Response to Preliminary Views on Financial Statement Presentation

I am pleased to respond to the discussion paper. As background, McCain Foods Limited (MFL) is a privately held Canadian company with manufacturing operations in eighteen countries and sales operations in over 100 countries worldwide. MFL has over 120 legal entity subsidiaries. MFL is primarily a manufacturer of frozen food products and produces one third of the frozen French fries produced worldwide. MFL is currently converting its accounting from Canadian GAAP to IFRS in accordance with the timeline for public companies in Canada. MFL will adopt IFRS in preference to Canadian GAAP for private companies because we believe that IFRS is most suitable for multinationals. The advantages of IFRS to us are those of a common world wide financial knowledge base, understood by our staff and auditors throughout the world. We believe that we are exactly the type of company for whom IFRS was developed. Although we are a private company, our debt trades in the private placement market and our results are followed by analysts, primarily for the debt rating agencies.

Scope

We note a trend for many jurisdictions to require IFRS statements for regulatory filings for non public companies. This we believe is a significant difference between IFRS and US GAAP; US GAAP remains a basis of accounting for public companies. We agree with ¶ 1.18 (b) which excludes from the scope of the project, entities within the scope of the IASBs forthcoming IFRS for Private Entities. Given the uncertainties around the timetables for these two projects, we would urge the board to make clear in the scope of any resulting standard on financial statement presentation that Private Entities are exempted. This scope restriction should apply to private entities, whether or not they have yet adopted the IFRS for Private Entities. This would preserve the IFRS1 options for those Private Entities that first report under IFRS for a period when the IFRS on financial statement presentations applies.

Cost

The cost to implement the changes to reporting systems, transaction processing systems and training will be very significant. Before going ahead with these changes we urge the Board to fully explore the costs and benefits with a broad group of financial statement preparers. The Board should also consider whether the targeted benefits of this proposal can be achieved by other methods.

Objective

It is not clear to us what objective the proposal is trying to meet. We believe in talking to analysts of our own statements that sufficient data on all material non operating items is already clearly available in the notes to the financial statements. The Board should review whether there is a need for this information for all reporting entities or only for certain types of reporting entities such as financial institutions.

Manufacturing company specific issues

For manufacturing companies, we believe that the financial statements and notes do adequately distinguish between the entities financing activities and operating activities. The proposals in the discussion paper therefore add little extra value, while adding considerable costs.

Many manufacturing companies run standard costing systems. A number of the proposals in the discussion paper are problematic when using standard costing systems. For example, the direct method of cash flows is difficult in a standard costing context, as we explain in our response to question 16.

Financial reporting systems

The discussion paper seems to be based on naïve assumptions of how financial reporting is managed for complex multinationals using financial reporting systems. For example in ¶ 3.65 in reference to requiring the gain or loss on a transaction denominated in foreign currency to be presented in the same section and category as the asset or liability that gave rise to it, the paper asserts that "doing so would not be difficult or costly for an individual asset or liability." However that is not how companies with many subsidiaries manage their reporting, they must build a reporting system that categorizes all assets and liabilities and calculates the gain and loss on translation for each asset and liability, accumulated by category. This requires extensive logic modification and extra levels of account detail.

We appreciate the opportunity to comment on these preliminary views. As commented above, we urge the board to undertake a comprehensive field test of the proposals in this document to determine if there are tangible benefits in the extra disclosure proposed, and to quantify the actual costs to preparers. We do not expect that the benefits will exceed the costs.

Yours sincerely,

Richard N. Burton FCA, CPA, CA Vice President and Corporate Controller McCain Foods Limited

Response to specific questions in discussion paper

Q1 Would the objectives of financial statement presentation described in 2.5 - 2.13 improve the usefulness of information provided?

The cohesiveness objective as presented in the draft is difficult for a practitioner to interpret. The paragraph should be expanded to give more guidance on how to meet the cohesiveness objective. For example, for many entities, although there is no line item for income from operating activities, all the material items that are not operating activities are included in other income/(expense) and suitably described in a note, so that an analyst could easily derive income from operating activities.

The disaggregation objective is also not sufficiently clear in the draft for a preparer to use. An entity may have several lines of business operating in many different economies using different business models. Clearly it is impractical to disaggregate to the lowest level, but there is no guidance other than that the disaggregation should be "sufficient, but not excessive" in $\P 2.10$.

The liquidity and financial flexibility objective is clearer. However, it is not clear why the Board considers that this objective is not met through compliance with other standards, such as IFRS 7.

- 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?
- 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?
- Q4 In the proposed presentation model, and entity would present its discontinued operations in a separate section. 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)?

The financial statements and notes should contain enough detail for the user to separate business activities from financing activities. In many cases, there is already sufficient information in the notes to enable material amounts to be separated.

It is not clear that there is sufficient extra benefit in separating the statements in to sections to justify the cost of doing so.

We agree that equity should be presented separately from financing. Some entities may wish to aggregate equity with financing liabilities, and this could be permitted. Shareholders clearly have an expectation of a clear presentation of total equity. Analysts may prefer to see a presentation of "net assets", financed by "equity plus financing liabilities".

Discontinued operations should be separated if material. There is no need to disaggregate discontinued operations as there is generally no need to predict future cash flows relating to discontinued operations.

Q5 Would a management approach provide the most useful view of an entity to users of its financial statements?

The management approach does provide the most useful view of an entity. We believe that financial statements are more useful and comparable when following the management approach. Requiring an arbitrary method of classification would inevitably lead to less representative statements for some entities.

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 rations for an entity's business activities or its financing activities?

Considering our own financial statements we do not believe that allocating assets and liabilities to business and financing would make it easier to calculate any common financial ratios.

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?

Classifying assets at the reportable segment level will be costly and it is likely that this cost exceeds the benefit. Such a requirement would likely cause many entities to consider whether it would be appropriate to aggregate previously reported segments.

Q8 What, if any, changes in segment disclosures should the boards consider to make segment information more useful in the light of the proposed presentation model?

We do not believe that expanded disclosure of segment assets and liabilities would be useful to users of financial statements.

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)?

If assets are to be classified, the business section and operating and investing categories are defined adequately. We would expect that an extensive field test, which we recommend, would raise many practical issues of categorization which the Board should address either in the proposed standard or in implementation guidance. The implementation guidance should be available before the effective date of the proposed standard.

Q10 Are the financing section and financing assets and financing liabilities categories within that section defined appropriately?

Financing section should not be restricted to financial assets and liabilities. There may be financing assets and liabilities that are based on statute or common law and these should not be excluded if they would otherwise be included in financing.

Q11 What types of entities would you expect not to present a classified statement of financial position? Why?

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?

No comment

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 do not agree that cash equivalents be excluded from the cash balance. We believe the arguments given in ¶ 3.17 are more appropriately considered by revisiting the definition of cash equivalents. With reference to ¶ 3.18 it is difficult to imagine a situation in which a cash equivalent that management had included in a cash and cash equivalents line would be more appropriately categorized in a different location.

Q13 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 do not agree with the assertion in ¶ 3.20 that "separate presentation in the statement of financial position is also unlikely to impose undue costs on an entity". Entities will incur significant costs in modifying their financial reporting systems to include the extra dimension of measurement base. Reporting systems will need to allow for transfers to assets and liabilities from one measurement base to another, and this information is not commonly stored in ERP systems.

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?

Our preference is to continue with separate statements of net income and comprehensive income for presentation (layout) reasons. A single statement with extra line items introduced by the draft proposal would be extremely busy, which may lead to confusion by users.

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?

As preparers of financial statements we are not best qualified to comment on the decision –usefulness of the categorization of OCI. Certainly it would not improve any management decisions, and it doesn't respond to any information requests that we have had from users of our financial statements.

Q16 Would this level of disaggregation provide information that is decision-useful to users in their capacity as capital providers? Why or why not?

The proposed additional disaggregation of items in the statement of comprehensive income should be extensively field tested to determine the likely costs in order to properly assess the costs and benefits.

For a manufacturing company using a standard costing system disaggregating total "cost of production" is possible, but disaggregating "cost of sales" or the line item "change in inventory of finished goods and raw materials" is extraordinarily difficult and costly.

Q17 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.

No comment.

Q18 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.

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?

The separation of foreign exchange gains into components might provide extra information to users; the relevance of this information to decision making is not clear. The simpler method of including all foreign exchange gains in one location, or of including foreign exchange gains relating to operations in operating income, and all other items in other income should be considered.

Software used for financial reporting, consolidation and currency translation does not support the Board's proposal "out of the box". For many companies extensive working or custom logic would be required. For those companies that have not been using "out of the box" functionality, extensive rewriting of logic would still be required.

Q19 Would a direct method of presenting operating cash flows provide information that is decision – useful?

Is a direct method more consistent with the proposed cohesiveness and disaggregation objectives than an indirect method? Why or why not?

Would the information currently provided using an indirect method to present operating cash flows be provided in the proposed reconciliation schedule? Why or why not?

Although the direct method is favored by theorists and academics, the indirect method provides equally useful information for decision making. The indirect method can be used to provide information that meets the cohesiveness and disaggregation objectives, equal in usefulness to the direct method.

For manufacturing companies that use a standard costing system, the direct method is very difficult to implement. The issue is that although it may be possible to break down cost of production at standard into expenses by nature it is more difficult to break down variances into expense by nature, and extremely difficult to break down the changes in raw materials, work in process and financial goods by nature of expense. Accommodating this requirement would require extensive changes both to financial reporting systems and to ERP systems. If the Board proposes to continue their requirement through to field test, the field test should be designed to include manufacturing entities that use standard costing.

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?

Basket transactions could vary significantly in size and complexity. The cost and benefit of allocating the effects of basket transactions to one or more categories will vary significantly according to the type of basket transaction. We believe that management is best able to identify the costs and benefits of the different treatments available and that the best means of meeting the cohesiveness objective should be left to management to decide according to the circumstances and characterization of the basket transaction.

Any arbitrary set of rules on basket transactions would likely lead to significant excess of costs over benefit for certain specific transactions.

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?

No comment.

Q23 (a) Would the proposed reconciliation schedule increase users' understanding of the amount, timing and uncertainty of an entity's cash flows? Why or why not? Please include a discussion of the costs and benefits of providing the reconciliation schedule.

The proposed reconciliation schedule would be costly to prepare, both in terms of the initial modification of financial reporting and ERP systems, and the periodic cost of producing the schedule. In our view these costs are extensive, and the benefits insufficiently qualified, at this time. We urge the Board to conduct an extensive field test to demonstrate that benefits of the availability of this schedule exist and that the benefits exceed the cost of preparation.

- Q23 (b) Should changes in assets and liabilities be disaggregated into the components described in paragraph 4.19?
- (c) Is the guidance provided in paragraphs 4.31, 4.41 and 4.44-4.46 clear and sufficient to prepare the reconciliation schedule?
- Q24 Should the boards address further disaggregation of changes in fair value in a future project?
- 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?

See response to Q23(a)

- Q26 (a) Would this information be decision-useful to users in their capacity as capital providers? Why or why not?
- (b) Opinion 30 contains definitions of unusual and infrequent. 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 agree with the IASB that this schedule is not the best location for disclosures about unusual or infrequent events.