

Mr Peter Godsall  
Accounting Standards Board  
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Via email: [ukgaap@frc-asb.org.uk](mailto:ukgaap@frc-asb.org.uk)

Dear Mr. Godsall,

I am writing in relation to the ASB's policy proposal, "The future of UK GAAP".

I would like to firstly provide some background contextual information. Musgrave Group is a family and employee owned unlisted plc that was founded in 1876, whose principal activity is the wholesale and retail distribution of food and grocery products. The business operates in markets in the Republic of Ireland, Northern Ireland, Great Britain and Spain. Group turnover in 2008 amounted to €4.8 billion with profit after taxation of €65 million, net assets of €370 million and almost 6,000 employees. Musgrave currently reports under UK/Irish GAAP.

In general, Musgrave welcomes the changes being proposed to the UK and Irish financial reporting framework and we believe this will bring more consistency to reporting of financial performance.

Based on the tier structure in the policy proposal, Musgrave is likely to adopt IFRS for SMEs for both its Group accounts and its Irish and UK subsidiaries' individual financial statements.

In relation to the questions set out on pages 3 to 5 of the policy proposal, we would like to comment specifically on questions 6, 7, 15 and 16.

*Q6 Do you agree with the Board's proposal that the IFRS for SMEs should be adopted wholesale and not amended?*

Musgrave has 67 wholly owned subsidiary companies in Ireland and the UK, many of which are non-trading or with few transactions. None of these subsidiaries has adopted the FRSSSE standard. As noted in paragraph 2.15 of the proposal document, limited exemptions from disclosures are currently available to subsidiaries under UK/Irish GAAP in the areas of cash flow statements, related party disclosures, segmental reporting and financial instruments. Paragraphs 2.16 to 2.19 set out the decision process of the Board in relation to a parent company preparing consolidated accounts under IFRS for SMEs and subsidiaries preparing accounts under IFRS for SMEs and concludes that the exemptions currently available under UK/Irish GAAP would no longer apply for subsidiaries' financial statements.

We believe that such exemptions should continue to be available for our Irish and UK subsidiaries. Under the proposed revised financial reporting framework, we believe that the cost of producing this additional information far outweighs any benefit to the user of our financial statements (particularly in the case of cash flow statements and related party

transactions). Paragraph 2.29 of the proposal document also states that entities using FRSSSE might be required to move to IFRS for SMEs in the longer term and we believe that exemptions would be important in this context.

*Question 7 – Do you agree with the Board's proposal that large Non-Publicly Accountable Entities should be permitted to adopt the IFRS for SMEs?*

We are pleased with the option available to us to use IFRS for SMEs notwithstanding the Group's sizable operations.

The primary users of our financial statements are our shareholders and we believe that IFRS for SMEs standard will ensure that our financial statements continue to meet their requirements. We welcome the general standardisation of the terminology and format in the IFRS for SMEs standard with full IFRS. However, we consider full IFRS to be too detailed and onerous for users of our financial statements.

The IASB has noted in the IFRS for SMEs standard that for companies meeting the definition of a small and medium size entity (i.e., not publicly accountable), the IFRS for SMEs standard is appropriate to ensure that their financial statements provide a true and fair view. We concur with this.

*Question 15 – If you are an entity whose basis of preparing financial statements will change under these proposals, what are the likely effects of applying those new requirements? Please indicate both benefits and costs and other effects as appropriate.*

Musgrave will face considerable change in the transition to IFRS for SMEs. We understand that our group financial statements will become significantly more detailed and considerable effort will be required to plan for the measurement, recognition and disclosure changes. For example, we are likely to be required to carry guarantees to customers at fair value, on the assumption that such guarantees are defined as 'complex financial instruments'. These guarantees are a significant feature of Musgrave's business. We anticipate an implementation cost of approximately €0.75m with additional ongoing annual incremental costs of approximately €0.2m.

*Question 16 – What are your views on the proposed adoption dates?*

We note a proposed adoption date of 1 January 2012. In our view, this implementation timetable will be difficult because of the scale of the transition project. Our ability to plan for the transition is hindered at present by the uncertainty over some key aspects of the project, most notably, the proposed tier structure. Consequently we would like to see the adoption date deferred to 1 January 2013 to allow more time for preparation.

We appreciate the opportunity to provide this feedback on the proposals and if you would like to discuss any aspect of this letter in more detail please do not hesitate to contact me.

Yours sincerely,

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