Corporate Control & Accounting

DSM

Het Overloon 1, Heerlen
P.O. Box 6500, 6401 JH Heerlen, The Netherlands
Phone (+31) 45 578 2246, Fax (+31) 45 578 2595

P.O. Box 6500, 6401 JH Heerlen, The Netherlands

INTERNATIONAL ACCOUNTING STANDARDS BOARD
F.A.O. SIR DAVID TWEEDIE
CHAIRMAN
30 CANNON STREET
LONDON EC4M 6XH
UNITED KINGDOM

Your reference	Our reference	Dealt with by	Direct line
	PS-CCA/09	Peter Sampers	-31-45-5782246

Subject	Heerlen	E-mail
AMENDMENT TO IFRS 7: FINANCIAL INSTRUMENTS: DISCLOSURES	14 January 2009	peter.sampers@dsm.com

Dear David,

On behalf of Royal DSM N.V., I welcome the opportunity to comment on the exposure draft proposing amendments to IFRS7: Debt Instruments. As a company we are committed to providing our investors with relevant and transparent financial information. Our aim in doing so is to maintain an open dialogue with our shareholders and other stakeholders. We support the introduction of IFRS in the European Union because it enhanced comparability of financial reporting by European companies and ultimately makes European capital markets more competitive.

As a general comment we want to discuss the reason for issuing this ED. We understand that the present market conditions are an important reason for the publication of the proposed amendments to IFRS 7. However we are of the opinion that introducing such ad hoc amendments should be kept to a minimum. Furthermore, we are of the opinion that the required disclosures are a step into the direction of full fair value measurement of financial instruments which does not have our unqualified support. According to the ED the current proposals are based on input received during three public round-table meetings in November and December 2008. We believe that such a step should be based on a more fundamental and a more thorough analysis.

If an entity measures debt instruments at amortised cost we do not believe that an entity should be required to recalculate profit or loss as though all investments in debt instruments (other than those classified as at fair value through profit or loss) had been classified as at fair value through profit or loss. Therefore, we disagree with the proposed disclosures requirements. It is unnecessary burdensome on reporting entities and only adds to confusion of the users of financial statements.

In case the IASB finalizes these proposals notwithstanding our comments we believe that the IASB should not require additional disclosure requirements for 2008 financial statements. It is unacceptable to introduce new disclosure requirements at a time when reporting entities already have their daft accounts ready and are finalizing the numbers. We are of the opinion that possible new disclosure requirements should be effective at the earliest for annual periods starting on or after 1 January 2009.

Should you wish to discuss the above further, please do not hesitate to contact me.

Yours sincerely,

Prof. dr. Peter A.M. Sampers
Senior Accounting Officer
Royal DSM NV

Appendix to DSM comment letter on ED Amendments of IFRS 7 Financial Instruments: Disclosures.

Question 1
The exposure draft proposes in paragraph 30A(a) to require entities to disclose the pre-tax profit or loss as though all investments in debt instruments (other than those classified as at fair value through profit or loss) had been (i) classified as at fair value through profit or loss and (ii) accounted for at amortized cost.
Do you agree with that proposal? If not, why? What would you propose instead, and why?

No, we do not agree with this proposal. If an entity measures debt instruments at amortized cost we do not believe that an entity should be required to recalculate profit or loss as though all investments in debt instruments (other than those classified as at fair value through profit or loss) had been classified as at fair value through profit or loss.

We believe that these additional disclosure requirements will not improve the usefulness of the notes to the financial statements. The long-term objective of the IASB is moving to a full fair value measurement model for financial instruments. We consider this proposal a step towards that model. We do not agree with that model. Full fair value is unlikely to increase understandability especially for instruments that are neither traded in a liquid market nor held with the intention to trade, nor managed on a fair value basis.

Question 2
The exposure draft proposes to require disclosing the pre-tax profit or loss amount that would have resulted under two alternative classification assumptions.
Should reconciliations be required between profit or loss and the profit or loss that would have resulted under the two scenarios? If so, why and what level of detail should be required for such reconciliations?

No we do not agree. We refer to our answer to question 1.

Question 3
The exposure draft proposes in paragraph 30A(b) to require entities to disclose for all investments in debt instruments (other than those classified as at fair value through profit or loss) a summary of the different measurement bases of these instruments that sets out (i) the measurement as in the statement of financial position, (ii) fair value and (iii) amortised cost.
Do you agree with that proposal? If not, why? What would you propose instead, and why?

No, we do not agree. We refer to our answer to question 1.

Question 4
The exposure draft proposes a scope that excludes investments in debt instruments classified as at fair value through profit or loss.
Do you agree with that proposal? If not, would you propose including investments in debt instruments designated as at fair value through profit or loss or those classified as held for trading or both, and if so, why?

Yes, we agree.

Question 5
Do you agree with the proposed effective date? If not, why? What would you propose instead, and why?

No, we do not agree. If the IASB will finalize these proposals notwithstanding our disapproval, we believe that the IASB should not require additional disclosure requirements in financial statements relating to 2008. We are of the opinion that possible new disclosure requirements should be effective at the earliest for annual periods starting on or after 1 January 2009.

Question 6
Are the transition requirements appropriate? If not, why? What would you propose instead, and why?

Yes, we agree with the proposal not to require comparative information relating to periods before the date of initial adoption.