Dear Sir / Madam,

In our comment letter dated 29 June 2010 (amortised cost and impairment) we explained that the proposals should not be applied to short term trade receivables and that any initial credit loss should not be recorded against revenue. We also expressed these concerns in our comment letter dated 26 October 2010 (ED on revenue recognition). Therefore, we welcome the Board’s decision to scope out short term trade receivables and to have excluded customer’s credit risk from the measurement of a transaction. However, we consider that expected impairment losses on contracts have the nature of an expense and should not be presented on a line adjacent to revenue.

Given the above, the scope of the supplement to the ED is more relevant to the financial services sector and so we have not answered the specific questions. However, we have concerns that the proposals will be difficult for a non-financial entity to apply in cases where it is holding excess liquidities, for example due to the disposal of a material business. If such liquidities were invested in non-equity investments such as bonds and held at amortised cost then the proposals on impairment would be relevant. In such a case it would be more difficult for a corporate (than a company in the financial services sector) to apply the new proposals since it is unlikely to have the systems or historical data in order to estimate the provisions reliably. We would be grateful if the Board is mindful of this concern while finalizing the new standard on impairment.

Thank you very much for your attention to the above.

Yours very truly,

NESTEC LTD

Philippe Gaberell
Assistant Vice President
Head of Financial Reporting Guidelines