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THE PRESIDENT

Sir David Tweedie
Chairman
IAS Board
30 Cannon Street
UK – London EC4M 6XH

Paris, 27 october 2005

Dear Sir,

Please find attached GNC's comments on the IASB's Exposure Draft on Amendments to IFRS 3 Business Combinations.

GNC represents and promotes the interests of the French cooperative enterprises at national and international level.

GNC welcomes the opportunity to participate to the process of elaborating international accounting standards and wishes to be further associated and consulted on this project.

Yours sincerely,

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Jean-Claude Detilleux



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27/10/2005

COMMENTS OF « GROUPEMENT NATIONAL DE LA COOPÉRATION » ON THE
IASB'S EXPOSURE DRAFT ON AMENDMENTS TO IFRS 3 BUSINESS
COMBINATIONS

The French Groupement National de la Coopération (GNC) welcomes the opportunity to comment on the IASB's Exposure Draft of Proposed Amendments to IFRS 3 Business Combinations.

GNC underlines that it already has stated its disagreement with the application of IFRS 3 to cooperatives, in its July 2004 response to the *Exposure Draft of Proposed amendments to IFRS Business Combinations : Combinations by Contract Alone or Involving Mutual Entities*.

Faced today with the same question, GNC reiterates its position and calls for the application of the pooling of interest method, until proper guidelines are issued concerning an adequate method for business combinations respecting the legal nature of cooperatives and reflecting their economic reality.

GNC calls for this future method, be it the fresh start method or any other alternative, to be developed in consultation with the different stakeholders. GNC is willing to participate to any consultation or working group organized by the IASB on this issue.

In the case of business combinations between cooperatives, there is no entity that takes control over the other. It is not possible to control a cooperative entity by purchasing the majority of its members' share capital and there are limits to members' voting rights even if one member has more share than another, according to the "one person, one vote" principle.

The new definition of business combination given in IFRS 3, being based on the assumption that there is an acquiring entity and an acquired business, is therefore not appropriate for cooperative entities.

In addition, GNC recalls that the purpose of a cooperative is to meet its members' common economic, social and cultural needs and aspirations (ILO Recommendation 193). When cooperatives enter a group, they democratically decide to join in, in the same way as their founding members previously decided democratically to constitute the cooperative.

Consequently, the notion of fair value, seems ill-adapted to business combinations of cooperative entities.

The French Groupement National de la Coopération (GNC) represents and defends the interest of French cooperatives, both nationally and internationally. Its members are the national federations of cooperatives, in all sectors of the economic activity where cooperatives are present (agriculture, banking, fisheries, retailing, workers' cooperatives, transport, etc.).

GNC represents more than 21 000 cooperative enterprises, with 750 000 employees.