

ASSOCIATION NATIONALE DE RÉVISION
DE LA COOPÉRATION AGRICOLE
ALL 527-1 Code Rural

Réf. 988

Letter of Comment No: 166 File Reference: 1204-001

IASB
Mr Alan Teixeira
Senior project manager
30 Cannon Street
LONDON EC4M 6XH
UNITED KINGDOM

Ref: Comments on the IASB'expsure draft on Amendments to IFRS 3- Business Combinations.

Dear Sir,

Coop de France, the general confederation of agricultural co-operatives in France represents the general and specific interests of farmers' co-operatives and is recognised by the french authorities as the representative organisation for the agricultural co-operative sector: 3 500 co-operatives, 13 500 cuma.

Coop de France is pleased to provide the IASB with its comments regarding the 2005 IASB exposure draft on amendments to IFRS 3 Business combination.

We notice that this exposure draft comes as a follow up to last year's business combinations project Phase 1, and, among others continues with the intention of including mutual entities, a term that appears to include mutuals and cooperatives.

Coop de France is convinced that business combinations among mutuals and cooperatives cannot be properly accounted for under the present proposal. We also would like to point out that an entity cannot acquire a cooperative in the way currently proposed under the current amendments.

We would like to call the IASB attention to the understanding of the term "mutual entity" that appears to cover both the mutual and the cooperative concepts. The IASB proposed definition mixes different business structures that cannot be accounted for in the same manner. Cooperatives already have world standards of their own.

Those standards can be found on the Statement on the Cooperative Identity, agreed upon by the International Cooperative Alliance and its entire world membership, in Manchester in 1995 and incorporated in full in the International Labour Organisation Recommendation 193 on the promotion of cooperatives.

Thus, a cooperative is, first of all, an association of persons, not of capital. Its entrepreuneurial nature is explicitly instrumental and that fundamental characteristic does not appear so far in the IASB concept of mutual entity.

The main danger if cooperatives and mutuals are formally included into IFRS 3 as mutual entities such as presently defined, is that they will remain formally classified into a category that does not reflect their nature and consequent accounting, legal and tax treatment. This can lead to real problems in each Member State of the European Union.

In case of business combination between cooperatives there is no entity taking control over

Moreover it is not possible to control a cooperative entity by purchasing the majority of the share capital (that capital only reflects the activity the member has with the cooperative) and, in any case, there are limits to members' voting rights, even when some members own more shares than others (this is the cooperative principle of: one member one vote).

This is why Coop de France requests that the IASB:

1/ formally excludes cooperatives and mutals from IFRS 3

2/ maintains specific methods of treatment of cooperatives and mutuals such as the "pooling of interest". Whatever the name, such method must respect the legal nature and the economic reality of cooperatives.

Sincerely yours,

Philippe MANGIN

Louis EVAIN

Président de Coop de France

Président de l'ANR