

International Accounting Standards Board
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Our ref : AdK
Direct dial : Tel.: (+31) 20 301 0391 / Fax: (+31) 20 301 0279
Date : Amsterdam, 21 July 2004
Re : Exposure Draft of Proposed amendments to IFRS 3 Business Combinations:
Combinations by Contract Alone or Involving Mutual Entities

Dear Sirs,

The Netherlands Council for Annual Reporting (CAR) appreciates the opportunity to respond to your "*Exposure Draft of Proposed amendments to IFRS 3 Business Combinations: Combinations by Contract Alone or Involving Mutual Entities*".

The CAR does not agree with the proposed amendments to IFRS 3 and we do therefore not agree with the IASB. We would like to point out the importance of a stable platform of standards. We are not in favour of solving more or less minor items on a case by case basis. These items should be part of phase two of business combinations.

We are not in favour of the abolition of the pooling method. We repeat our concern expressed when we finally commented on IFRS 3, that in our view there are merger situations – particularly among the types of combinations subject to this exposure draft – where it is difficult to justify the purchase method. We believe that in some cases it can be very difficult to decide which entity is the acquirer and which the acquired, yet this decision leads to fundamentally different effects on the financial statements. In our opinion it is not consequent to state that in a situation where two or more *mutual* entities are brought together *without the obtaining of an ownership interest* an acquirer must be assigned and the purchase method must be used.

We again urge the IASB to consider an alternative accounting method, e.g. fresh-start, for business combinations where the purchase method is not the most suitable method.

For this reason it is not relevant to answer the specific questions of the Exposure Draft.

Yours sincerely,

Prof. dr. Martin Hoogendoorn RA
(Chairman CAR)