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Sir David Tweedie
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Dear Sir

Exposure Draft to IFRS3: Combinations Involving Mutual Entities

Britannia Building Society is the second largest mutually owned building society with total assets of £22bn. As a mutual the proposals in the exposure draft are of particular relevance.

In summary I do not support the proposal to account for combinations involving mutual entities using the purchase method. Whilst this may sometimes be appropriate I do not believe it will always be so.

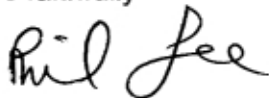
The proposals assume that there is always a readily identifiable acquirer and an acquiree in the combination. I do not believe that this will always be the case.

I appreciate that this proposal is a temporary measure pending the outcome of the next phase of the business combinations project. However I do not feel that this is appropriate for all mutual combinations.

Where it is not practical to identify an acquirer I feel it would be more appropriate to recognise the combination as a merger until the business combinations project is complete.

I trust that my views will be taken into account before the finalised statutory instrument is issued.

Yours faithfully



Phil Lee
Group Finance Director