



The Association of Friendly Societies
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Doug Thow Secretary

Sir David Tweedie, Chairman
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH

30 July 2004

Dear Sir David,

**International Accounting Standards Board's Exposure Draft –
Amendments to IFRS 3 Business Combinations
*“Combinations by Contract Alone or Involving Mutual Entities”***

We wish to comment on the above document. Having just received sight of the amendments we are submitting this comment on the deadline and is without prejudice to any subsequent comments we may wish to make in the future following more detailed consideration.

The Association of Friendly Societies (AFS) is the representative body for Friendly Societies. The societies for which it speaks are situated in the UK and exemplify the huge diversity of the Friendly Society movement, covering numerous different types of society which offer their members a wide range of insurance, savings and other products. They have over 5 million members and total funds under management are around £16 billion. Friendly Societies are mutual bodies and members come from all walks of life, including those of modest means not otherwise reached by financial services providers.

The specific amendment on which we wish to comment and oppose is the proposed abolition of the “pooling of interest” method in the accounting of mergers between mutual entities. Such a measure will severely impair the abilities of mutual firms such as friendly societies should they wish to take such action by imposing unnecessary extra costs and restrictions without on the face of it achieving any real benefits. Mutual firms already have to conform to high level regulatory and reporting standards in competing with proprietary companies in the market-place and we fail to see why a further burden of this nature should be added.

Mutuals do not seek special treatment but similarly do not expect legislation to disadvantage them particularly in the area of consolidation that may become increasingly important to our business sector. The short-time available prevents me from expanding further but we would request that the original version of IFRS 3 be retained for the time being; if the amendment has to lie on the table then further consideration must be given to its overall consequences including a cost-benefits assessment of its impact on mutuals.

Yours sincerely

A handwritten signature in black ink, appearing to read 'D A R Thow', is written over a horizontal line.

D A R Thow