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Ms. Annette Kimmitt
Senior Project Manager
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Ms Kimmitt

ED 3 *Business Combinations*

We at Coca-Cola HBC S.A. appreciate the opportunity to provide comments on the International Accounting Standards Board's exposure draft of its proposed standard on Business Combinations.

Coca-Cola HBC S.A is incorporated in Greece and was formed in August 2000 through the combination of Hellenic Bottling Company S.A. and Coca-Cola Beverages plc, The company is principally engaged in the production and distribution of alcohol-free beverages under franchise from The Coca-Cola Company. Turnover for the company amounted to €4 billion in 2003 Coca-Cola HBC S.A. is listed on the Athens, London, New York and Sydney stock exchanges. The company prepares accounts in accordance with International Financial Reporting Standards for both management and external reporting purposes. In addition, the company prepares financial statements in accordance with US GAAP and in accordance with Greek GAAP.

In our response, we have concentrated on the questions of particular interest to us.

Question 1 Scope

The Exposure Draft proposes:

(a) to exclude from the scope of the IFRS business combinations in which separate entities or operations of entities are brought together to form a joint venture, and business combinations involving entities under common control
Are these scope exclusions appropriate? If not, why not?

(b) to include in the IFRS a definition of business combinations involving entities under common control, and additional guidance on identifying such transactions. Are the definition and additional guidance helpful in identifying transactions within the scope exclusion? If not, what additional guidance would you suggest, and why?

(a) We believe that the proposed scope of the Exposure Draft should be extended to include business combinations involving entities (or operations of entities) under common control where the transaction has been approved as being fair by an independent expert. We base this conclusion on the belief that if a common control transaction has the approval of an independent expert, then this demonstrates that the position of control has not been abused and there is no reason to require a different accounting treatment.
Other than the exception outlined above, the scope exclusions are appropriate.

(b) We believe the definition and additional guidance are helpful in identifying transactions within the scope exclusion.

Question 2 Method of Accounting for Business Combinations

The Exposure Draft proposes to eliminate the use of the pooling of interests method and require all business combinations within its scope to be accounted for by applying the purchase method.
Is this appropriate? If not, why not? If you believe the pooling of interests method should be applied to a particular class of transactions, what criteria should be used to distinguish those transactions from other business combinations, and why?

We agree with the proposal to eliminate the use of the pooling of interests method and require all business combinations within the scope of the Exposure Draft to be accounted for by applying the purchase method, as it will bring consistency to the reporting of business combinations and alignment with current US (MAP requirements.

Question 3 Reverse Acquisitions

No comments.

Question 4 Identifying the Acquirer when a New Entity is Formed to Effect a Business Combination

No comment

Question 5 Provisions for Terminating or Reducing the Activities of the Acquiree

Under L4S 22, an acquirer must recognise as pan of allocating the cost of a business combination a provision for terminating or reducing the activities of the acquiree (a 'restructuring provision') that was not a liability of the acquiree at the acquisition date, provided the acquirer has satisfied specified criteria The Exposure Draft proposes that an acquirer should recognise a restructuring provision as pan of allocating the cost of a business combination only when the acquiree has, at the acquisition date, an existing liability for restructuring recognised in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets
Is this appropriate? If not what criteria should an acquirer be required to satisfy to recognise a restructuring provision that was not a liability of the acquiree as pan of allocating the cost of a combination, and why?

We do not support the proposal that an acquirer should recognise a restructuring provision as part of allocating the cost of a business combination only when the acquiree has, at the acquisition date, an existing liability for restructuring recognised in accordance with *IAS* 37 *Provisions Contingent Liabilities and Contingent Assets.*

We continue to support the existing requirements under IAS 22, whereby an acquirer must recognise as part of allocating the cost of a business combination a restructuring provision that was not a liability of the acquiree at the acquisition date, provided the acquirer has satisfied specified criteria.
Our opinion is based on the belief that such restructuring costs are necessarily incurred in order for the acquirer to obtain the business that they are actually trying to acquire. Such restructuring costs would have influenced the price paid by the acquirer for the acquiree & The requirements put in place by IAS 22 obviate the risk that the restructuring provision recorded will not be representative of the actual costs.

Question 6 Contingent Liabilities

The Exposure Draft proposes that an acquirer should recognise separately the acquiree's contingent liabilities at the acquisition date as pan of allocating the cost of a business combination, provided their fair values can be measured reliably

Is this appropriate? If nor, why not?

We support the proposal that an acquirer should recognise separately the acquiree's contingent liabilities at the acquisition date as part of allocating the cost of a business combination, provided their fair values can be measured reliably.

Question 7 Measuring the Identifiable Assets Acquired and Liabilities and Contingent Liabilities Assumed

IAS 22 includes a benchmark and an allowed alternative treatment for the initial measurement of the identifiable net assets acquired in a business combination, and therefore for the initial measurement of any minority interests. The Exposure Draft proposes requiring the acquiree ½ identifiable assets, liabilities and contingent liabilities recognised as pan of allocating the cost to be measured initially by the acquirer at their fair values at the acquisition date. Therefore, any minority interest in the acquiree will be stated at the minority's proportion of the net fair values of those items. This proposal is consistent with the allowed alternative treatment in IAS 22
is this appropriate? If not, how should the acquiree's identifiable assets, liabilities and contingent liabilities recognised as part of allocating the cost of a business combination be measured when there is a minority interest in the acquiree, and why?

We agree with the proposed approach for the initial measurement of the identifiable net assets acquired in a business combination, and the related measurement of minority interests. We believe that the most appropriate method for the initial measurement of the identifiable net assets acquired in a business combination is the fair value, regardless of the presence of minority interests, as it demonstrates to the user of the statements the resources that the parent has under its control. We also believe that the most appropriate method for the initial measurement of any minority interests is the minority's proportion of the net fair values at the acquisition date. As a result, Coca-Cola HBC S.A.'s XFRS financial statements reflect the application of the allowed alternative treatment under IAS 22 for the initial measurement of identifiable assets and minority interests.
From a practical perspective, the benchmark treatment currently under IAS 22, in requiring the minority's proportion of identifiable assets and liabilities to be recorded at their pre-combination carrying amount, can be difficult to apply due to issues relating to the quality of record keeping and accounting practices employed in the entity. There is a particular challenge in obtaining meaningful values for the acquisition of entities operating in countries with hyper-inflationary environments and for which records have only been maintained in the local currency.

Question 8 Goodwill

The Exposure Draft proposes that goodwill acquired in a business combination should be recognised as an asset and should not be amortised Instead it should be accounted for after initial recognition at cost less any accumulated impairment losses. Do you agree that goodwill acquired in a business combination should be recognised as an asset? If not, how should it be accounted for initially, and why? Should goodwill be accounted for after initial recognition at cost less any accumulated impairment losses? If not, how should it be accounted for after initial recognition, and why?

We agree that goodwill acquired in a business combination should be recognised as an asset. We further agree that goodwill be accounted for after initial recognition at cost less any accumulated impairment losses. We believe that such a methodology provides a superior indicator of performance than does an arbitrary straight-line write-off of goodwill over a defined period of time.

For our company, application of the Exposure Draft to the acquisition of an entity holding the franchise rights to distribute products of The Coca-Cola Company within a specified territory will generally lead to the recognition of a significant indefinitely lived franchise asset and no goodwill, other than that generated from the compulsory recognition of a deferred tax liability in respect of the franchise asset (a practice, incidentally, that we do not support). It makes no sense for such goodwill to impact the income statement over any timeframe other than that matched by the franchise intangible to which it relates.

Question 9 Excess Over The Cost of a Business Combination Acquirer's Interest in the Net Fair Value of the Acquiree's Identifiable Assets, Liabilities and Contingent Liabilities

In some business combinations, the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities recognised as pan of allocating the cost of the combination exceeds that cost The Exposure Draft proposes that when such an excess exists, the acquirer should:

(a) reassess the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination; and

(b) recognise Immediately in profit or loss any excess remaining after that reassessment

Is this treatment appropriate? If not, how should any such excess be accounted for, and why?

We support the proposed treatment to immediately recognise in the income statement any excess in the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the acquisition that remains after a reassessment has occurred of the fair value of the net assets acquired and the measurement of the cost.

Question 10 Completing the Initial Accounting for a Business Combination and Subsequent Adjustments to that Accounting

The Exposure Draft proposes that:

(a) if the initial accounting for a business combination can be determined only provisionally by the end of the reporting period in which the combination occurs because either the fair values to be assigned to the acquiree 's identifiable assets,

liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the acquirer should account for the combination using those provisional values. Any adjustment to those values as a result of completing the initial accounting is to be recognised within twelve months of the acquisition date.
Is twelve months from the acquisition date sufficient time for completing the accounting for a business combination? If not, what period would be sufficient and why?

(b) with some exceptions carried forward as an Interim measure from 145 22 adjustments to the initial accounting for a business combination after that accounting is complete should be recognised only to correct an error
Is this appropriate? If not, under what other circumstances should the initial accounting be amended after it is complete, and why?

(a) We do not believe that twelve months from the acquisition date is sufficient time in which to complete the accounting for a business combination. Whilst we believe that a twelve month period is sufficient for assigning fair values to most identifiable assets or liabilities, we do not believe that it is sufficient in relation to such items as outstanding litigation claims and tax audits (i.e. contingent liabilities for which it is not possible to measure the fair value reliably and the date of acquisition) due to the time required to clarify the appropriate fair values.
We agree that it is desirable to set a maximum time period in which to finalise the accounting for a combination in order to prevent goodwill from being adjusted indefinitely and believe a 24-month period to be more appropriate.

(b) We agree that it is appropriate to correct the initial accounting for a business combination where there is an error in accordance with [draft IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.
We do not believe that it is appropriate to make adjustments in other circumstances. In particular we do not support the subsequent recognition of deferred tax assets acquired in a business combination that did not satisfy the criteria for separate recognition when initially accounted for. We completely concur with the conclusions of the Board at their December 2002 meeting, in regard to their proposed treatment of such balances.

We would be pleased to discuss our comments with the Board members or the *LASS* staff at your convenience

Yours sincerely,

Susan Hays,
Financial Reporting Manager