

next plc

Next plc Desford Road | Enderby | Leicester | LE19 4AT
T 0844 844 8888 | F 0116 284 8998 | W www.next.co.uk

International Accounting Standards Board
30 Cannon Street
London
EC4M 6XH

14th December 2010

Dear Sirs

RESPONSE TO IFRS EXPOSURE DRAFT ON LEASES

Next plc welcomes the opportunity to comment on the *Leases* exposure draft published jointly by the International Accounting Standards Board and the Federal Accounting Standards Board.

ABOUT NEXT

Next is a UK based retailer offering exciting, beautifully designed, excellent quality clothing, footwear, accessories and home products. Next distributes through three main channels: Next Retail, a chain of more than 500 stores in the UK and Eire; Next Directory, a home shopping catalogue and website with more than 2 million active customers; and Next International, with more than 180 stores and growing website capability outside the UK. For the year ended January 2010, total revenues were £3.4 billion and average employees were around 55,000.

The substantial majority of Next's retail stores are operated under lease agreements. As is disclosed in the Annual Report and Accounts, annual operating lease rentals are around £200m, and total operating lease commitments are in the order of £2 billion.

OPINION

We note that the IASB's objective is "*to develop a single set of high quality, understandable, enforceable and globally accepted international financial reporting standards (IFRSs)*"

In our opinion, the Exposure Draft on Leases **spectacularly** fails to further this objective.

If implemented, the proposals will serve only to make financial statements less understandable and more complex. They will not provide users of the financial statements with better or more useful information - in fact the complete opposite is true. Further, the significant element of subjectivity in various aspects of the proposals - such as including in the liability an assessment of 'the longest lease period that is more likely than not' and the level of future contingent rents - will make a mockery of comparability between accounting periods and between different reporting entities. The proposed transitional rules will only add further to the confusion. As a result, even the last refuge of justification - "lowering the cost of capital" - would be a hollow claim to support these proposals.

Contd

To enable comparability, we believe that the small group of users of the accounts who wish to view operating lease commitments as 'debt' should continue to make their own adjustments and perform their own calculations, much as they do now.

The other users of the accounts - the majority - will be left trying to 'deconstruct' the strange accounting entries that these proposals will create. In our view, many reporting entities will, in effect, be put into the bizarre situation of having to provide two sets of accounts - a meaningless set of IFRS-compliant accounts and further information which will enable the users to get back to financial statements that they can actually comprehend!

There is nothing that these proposals purport to achieve which could not be solved more effectively, more easily and more clearly than through simple additional disclosures in the financial statements. These should be based on fact, not fiction, leaving users free to draw their own conclusions.

We would therefore urge the Board to take a considerable step back, and start again.

Yours faithfully

A handwritten signature in black ink, appearing to read 'S Chantrill', written in a cursive style.

Steve Chantrill
Group Financial Controller
Next plc