





## **Transition**

We disagree with the transition proposals in the ED which effectively requires the transition date to be the date of inception for all outstanding lease payments. Although the IASB perceives this to be a 'simplified' retrospective approach we believe this will result in misleading and inappropriate artificial reduction in profits of a lessee in the early years of adoption which will not assist users of the financial statements. This is because the income statement charge is higher in the early years of a lease compared to the later years.

We believe the Board should consider other simplified retrospective approaches such as that proposed by Mr Stephen Cooper in his alternative view and also permit full retrospective application.

## **Administrative burden and cost**

The proposals in the ED will result in a significant increase in administrative burden and costs given the number of leases within our business and the highly judgemental assumptions within the proposed accounting models which will need to be revisited at each reporting period. This will be similar for all retail businesses with significant numbers of stores and other leases in operation.

We strongly believe that the increased cost and complexity will outweigh any potential improvements to financial reporting given the issues on comparability, reliability and usefulness of reported information noted above.

## **Conclusion**

Although we have set out above our specific significant concerns with regards to the tentative decisions on the accounting model outlined in the ED, we fundamentally believe that the proposals do not offer an effective improvement on existing lease accounting rules. We believe that concerns with existing lease accounting could be addressed by enhanced disclosures of operating leases, including additional qualitative and quantitative disclosures on features in leases such as options and contingent rentals.

If you have any questions regarding this submission please do not hesitate to contact either Tina Reade (Group Financial Controller - [tina\\_reade@johnlewis.co.uk](mailto:tina_reade@johnlewis.co.uk)) or Shalabh Bajjal (Group Financial Reporting Manager - [shalabh\\_bajjal@johnlewis.co.uk](mailto:shalabh_bajjal@johnlewis.co.uk)).

Yours faithfully



Marisa Cassoni  
Finance Director