















another. This is not addressed in the standard. We have no proposals to make but we think it further weakens the accounting treatment and supports our recommendation to not change from current disclosure in the note to the accounts.

**(2) Other Cost Provisions relevant to ownership status**

The presumption of ownership set down in the standard indicates that a more extensive evaluation of other costs may be required than may currently be the case relating to:

- a) Dilapidations;
- b) repairs status on leases with specific lessee repairing clauses ;
- c) back rent risk on open negotiations;

**(3) Comparability with Freehold:**

Freehold properties are held on the books at cost less depreciation which represents the revenue charge. Leasehold charges would be based on flow of rental payments discounted which may bear no relation to depreciation on historic cost for freeholds. As a result, comparability between organisations with say 30% freehold/70% leasehold portfolios and 50%:50% would not be aided by the recommendations of the discussion paper.

**Retailers Objections & Cost Benefit**

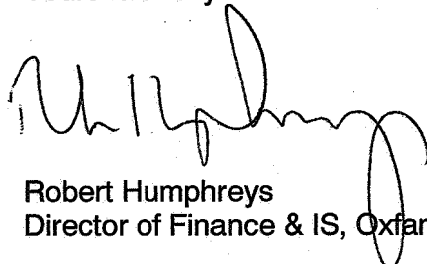
Paragraph 203 in the Basis for Conclusions lists the concerns of Retailers who are concerned that the administrative burden outweighs any benefits provided to users of accounts. These focus on the difficulty of determining an appropriate discount rate, the burden of assessing lease options on a shop by shop basis and the significant costs to implement the changes to reporting.

The Board goes on to disregard these concerns, using the rationale that "the majority of users of financial statements think that the proposed model is an improvement". In our view this approach gives insufficient consideration and weight to the cost aspects of implementing the standard and has not considered the very real operational complexities of implementation and the consequent cost for retailers with extensive leasehold portfolios. Having attended the London consultation event, it is not clear which users of accounts the Board has in mind – none of the attendees who were not associated with the Board's proposals in some way were in favour of them.

**Applicability to UK SME's**

Oxfam, as a charity, is not yet formally subject to IFRS's, until they become part of UK GAAP. However, we assume that charities will be brought into their ambit in the next couple of years. There is a parallel ongoing consultation over how to implement IFRS for SMEs and one of the proposals is that charities should adopt the IFRS for SMEs, which currently retains the current model of accounting for leases. The IASB should clarify whether they intend to allow SMEs to continue to use the current model of lease accounting in this case.

Yours faithfully



Robert Humphreys  
Director of Finance & IS, Oxfam GB