



Group Reporting

15 December 2010

Sir David Tweedie
Chairman
International Accounting Standards Board
30 Cannon Street
London EC 4M 6XH
UNITED KINGDOM

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Dear Sir David,

Re: Invitation for Comment on Exposure Draft “Leases”

We welcome the opportunity to comment on the Exposure Draft ED/2010/9 *Leases* (the Exposure Draft) issued by the IASB in August 2010.

Whilst we agree there is a need for clarification on lease accounting issues, we disagree with a number of proposals in the Exposure Draft. Our principal concerns are as follows:

Cost versus benefit

While we understand the objectives of the IASB in seeking to modify the accounting for leases by both lessees and lessors, we do not believe the IASB has clearly demonstrated that the benefits expected to arise from those proposals justify the cost. The proposals contained in the Exposure Draft will impose significant cost on most entities with extensive leasing arrangements, both in the initial implementation and in the ongoing maintenance. We expect that most of the benefits anticipated by the IASB would be achieved through enhanced disclosure, with minimal impact on the current accounting treatment of all forms of leases.

Operating Leases embedded in a Service Contract

We consider the requirement to account for an entire contract as a lease, if the service component is not distinct, to be extremely onerous. For some entities, this will result in a significant amount of otherwise normal executory contracts being brought onto the statement of financial position. The implications of this are as follows:

- The recognition of the service component of a lease as a liability and a “right of use” asset is contrary to the definition of an asset and a liability under the current IFRS Framework,
- Liabilities will be overstated for those entities which use service contracts (where the service component is not distinct) to operate their business compared to those entities which perform those activities with their own employees or use normal executory contracts (which do not contain an element of leasing). Comparison between these different types of entities will be misleading and confusing to users,

- The resulting overstatement of liabilities will result in inflated and inaccurate gearing and other leverage ratios. This could lead to inadvertent breaches of banking covenants and potentially higher costs of finance as the leverage position is inaccurately stated.

We believe a better solution for service contracts (with an embedded lease but a non distinct service component) is to permit management to estimate the fair value of the lease component to permit separate accounting of the lease and service components. Where management is unable to reliably estimate the fair value of the lease component, the entire contract should be accounted for as an executory service contract, supplemented with disclosure of the timing and present value of future payments to be made under the contract. This would provide the relevant information to the users of the financial statements without bringing assets and liabilities onto the statement of financial position which do not meet the definition of an asset or liability under the current IFRS Framework.

If the IASB proceed with the requirement to bring the entire contract onto the statement of financial position, we urge the IASB to reconsider the transition provisions to exclude contracts which are essentially service contracts with an embedded lease. We believe this relief is appropriate due to the fact that identification of the service component will be reliant upon information from the service provider. This could be problematic given that this information is likely to be commercially sensitive.

Measurement of lease term

We do not believe that options should be taken into account when determining the lease term as an entity does not have a liability for the option period until the option is exercised.

In addition, we do not agree that a different measurement concept, being the “most likely” should be introduced into the lease standard. We believe that the existing measurement concepts in IAS 37 “Provision, Contingent Liabilities and Contingent Assets” should be applied. We urge the IASB to develop measurement principles in the IFRS Framework to achieve consistent measurement principles across all IFRSs. Introducing another measurement principle is confusing for both preparers and users and results in less meaningful financial information.

Lessor Accounting

We do not believe the proposed two model approach for lessor accounting has met the IASB’s objective of reducing complexity. Rather, it appears to add layers of complexity to an accounting treatment which, in practice, does not currently appear to be a problem. We encourage the IASB to consider a simpler solution for lessor accounting if it believes it necessary to change from the current arrangements.

Presentation

We do not agree with the Board’s conclusion on presentation of leases on the face of the Statement of Financial Position, the Statement of Comprehensive Income and Statement of Cash Flows. We believe that the determination of whether or not the assets and liabilities should be separately disclosed on the primary financial statements, as opposed to disclosing this information in the notes, should be determined by applying IAS 1 “Presentation of Financial Statements”. We support disclosing this information in the notes to the financial statements.

If the Board considers that separate disclosure is warranted in the financial statements, we believe this requirement should be incorporated through modification of the principles in IAS 1 “Presentation of Financial Statements” and not by embedding this requirement in the lease standard.

Below are our responses to each of the questions within the Exposure Draft.

Question 1: Leases

(a) Do you agree that a lessee should recognise a right-of-use asset and a liability to make lease payments? Why or why not? If not, what alternative model would you propose and why?

(b) Do you agree that a lessee should recognise amortisation or right-of-use asset and interest on the liability to make lease payments? Why or why not? If not, what alternative model would you propose and why?

We agree that under the current IFRS Framework, a lease contract may give rise to a “right of use” asset and an obligation to make payments under the contract. However, we do not believe the Exposure Draft has established clear principles which adequately distinguish lease contracts from executory contracts. Executory contracts also arguably create rights and obligations, but these are recognised as the rights are enjoyed and the obligations satisfied. It would appear that the only key difference between many lease arrangements and other executory contracts are the existence of underlying physical assets, however that does not appear to be sufficient to explain the fundamentally different accounting treatment applied.

We believe it would be simpler and more appropriate to account for lease contracts using the existing principles already set out in other accounting standards. As such, any “right of use” the asset would either fall under IAS 16 “Property, Plant and Equipment” or IAS 38 “Intangible Assets” and the obligation to make payments would either be a financial liability under IAS 39 “Financial Instruments: Recognition and Measurement” or if the timing and amount of the liability are uncertain then it would be appropriate to account for the liability under IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”. However, if the contract was executory, no asset or liability would be recognised.

We agree that measuring the lessee’s “right of use” asset at cost is the correct approach as this is consistent with the cost approach in IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible Assets”. We also agree that initial direct costs that are essential to acquiring or originating a lease should also be capitalised to the “right of use” asset.

We also believe that in accounting for the “right of use” an asset through a lease arrangement, the accounting outcome should not be dissimilar to a scenario where an entity purchases an asset using borrowed funds. Therefore we support an amortised cost base approach to subsequent measurement of both the obligation to pay rental and the right of use asset.

Question 2: Lessors

(a) Do you agree that a lessor should apply (i) the performance obligation approach if the lessor retains exposure to significant risks or benefits associated with the underlying asset during or after the expected lease term, and (ii) the de-recognition approach otherwise? Why or why not? If not, what alternative approach would you propose and why?

(b) Do you agree with the boards' proposals for the recognition of assets, liabilities, income and expenses for the performance obligation and de-recognition approaches to lessor accounting? Why or why not? If not, what alternative model would you propose and why?

We do not believe the proposed two model approach for lessor accounting has met the IASB's objective of reducing complexity. Rather, it appears to have created a far more complex accounting solution that is not warranted. We encourage the IASB to consider a simpler solution for lessor accounting.

Of the two models proposed in the Exposure Draft, we strongly prefer the de-recognition approach. This approach, as proposed, uses the risk and rewards criteria for de-recognition, whereas those criteria are not used for asset recognition by the lessee. We strongly prefer a lease accounting model under which both parties to a lease apply consistent concepts in determining the accounting treatment. Accordingly, either a risk and reward approach or a control approach should be used by both parties. A control approach would be more in line with the asset control principles referred to in the IFRS Framework.

Question 3

The exposure draft proposes that a lessee or a lessor may apply the simplified requirements to short-term leases, defined in Appendix A as leases for which the maximum possible lease term, including options to renew or extend, is twelve months or less:

(a) At the date of inception of a lease, a lessee that has a short-term lease may elect on a lease-by-lease basis to measure, both at initial measurement and subsequently, (i) the liability to make lease payments at the undiscounted amount of lease payments and (ii) the right-of-use asset at the undiscounted amount of lease payments plus initial direct costs. Such lessees would recognise lease payments in profit or loss over the lease term (paragraph 64).

(b) At the date of inception of a lease, a lessor that has a short-term lease may elect on a lease-by-lease basis not to recognise assets and liabilities arising from a short-term lease in the statement of financial position, nor derecognise any portion of the underlying asset. Such lessors would continue to recognise lease payments in profit or loss over the lease term (paragraph 65).

(See also paragraphs BC41-BC46.)

Do you agree that a lessee or a lessor should account for short-term leases in this way? Why or why not? If not, what alternative approach would you propose and why?

We agree with the IASB's approach to short term leases. However, we do not agree with options to extend or renew the lease being included in the lease term. Many short term leases normally contain rights to renew or extend them, such that many leases that in substance are short term leases would be prohibited from applying this short cut method.

Question 4

(a) Do you agree that a lease is defined appropriately? Why or Why not? If not, what alternative definition would you propose and why?

(b) Do you agree with the criteria in paragraphs B9 and B10 for distinguishing a lease from a contract that represents a purchase or sale? Why or why not? If not, what alternative criteria would you propose and why?

(c) Do you think that the guidance in paragraphs B1-B4 for distinguishing leases from service contracts is sufficient? Why or why not? If not, what additional guidance do you think is necessary and why?

(a) We note that the Exposure Draft has replicated the definition of a lease from IFRIC 4 “Determining whether an Arrangement contains a Lease”. Whilst we understand that the intention of the Exposure Draft is to incorporate the IFRIC 4 definitional concepts, practical application of the definitions in IFRIC 4 has shown that these concepts are difficult to understand and apply in practice. The description used in paragraph B4 “Contract conveys the right to control the use of a specified asset” is particularly complex.

Given these definitions are an integral part of the application of an Exposure Draft which will have wide spread application, we believe it is appropriate to reword the definitional paragraphs so that they can be understood and applied by all users. This will greatly assist in reducing the diversity in practice if this Exposure Draft progresses to a standard.

(b) We agree with the proposal to recognise a sale when control of the underlying asset passes at the end of the contract. This requirement is consistent with Exposure Draft ED/2010/6 “Revenue from Contracts with Customers” such that the lessor is effectively recognising revenue when it has satisfied its performance obligation by transferring the asset to its customer and the customer has taken control of that asset.

(c) As noted above, we believe the guidance described in paragraphs B1 to B4 is complex and difficult to understand and apply. The guidance provided in paragraphs B5 to B8 relating to contracts that contain both service components and lease components is clear.

However, we completely disagree with the proposed treatment of recognising the entire service contract on the statement of financial position where an entity is unable to identify a distinct service component. We believe this treatment will misrepresent the entity’s financial position as it will result in the recognition of assets and liabilities relating to future services when:

- the entity does not have a liability as it has no obligation to pay for services not yet received
- the entity has no control over the future provision of those services and therefore has no asset

The proposed treatment will result in recognition of an asset and a liability for an executory contract, when all other executory contracts are recognised when the services are delivered. This position would be particularly exacerbated when the service component of the contract is very large (but not able to be determined as distinct) relative to the lease component. For industries which commonly use service contracts, this will result in their financial position and gearing ratios being inflated compared to other entities in other industries.

An example of service arrangements common in the mining industry involves mining contractors delivering both labour services and their own mobile equipment when providing mining services. Often the contract is priced on a per unit of output basis. The service arrangement typically satisfies the definition of a lease as the mining entity will be deemed to have control over the equipment as:

- the entity will often be obtaining more than an insignificant amount of the output of the asset (given the remoteness of many mine sites the mobile equipment will often stay on site for the length of the mining contract), and
- the mining company will direct what material is to be mined and impose their own safety standards and operating procedures which dictate how the equipment is to be used.

However, because of the pricing structure, it is difficult to separate the service component from the lease component. Under the proposals in the Exposure Draft, the mining entity would need to bring the entire contract onto the statement of financial position. As noted above, the obligation to make payments under the contract does not meet the definition of a liability under the current IFRS Framework as the mining company does not have an obligation to pay for services not yet received.

We believe a better solution for service contracts (with an embedded lease but a non distinct service component) is to permit management to estimate the fair value of the lease component to permit separate accounting of the lease and service components.

Where management is unable to reliably estimate the fair value of the lease component, the entire contract should be evaluated to determine its principal purpose and substance and accounted for according to the conclusion reached. If the service is being delivered and paid for on a unit of output basis and the contract is cancellable, this would indicate a service is being provided on an executory basis, regardless of the entity's ability to direct how the embedded leased asset be used. Contracts written on this basis should be accounted for in the same way as other executory contracts, supplemented with disclosure of the timing and present value of future payments to be made under those contracts. This would provide relevant information to users of the financial statements, enabling them to assess the impact of such contracts on the future cash flows of the entity, without bringing assets and liabilities onto the statement of financial position which do not meet the definition of an asset or liability under the current IFRS Framework.

If the IASB proceed with the proposal to bring the entire service contract onto the statement of financial position, we urge the IASB to reconsider the transition provisions and exclude pre-existing contracts which are essentially service contracts with an embedded lease. This relief is appropriate because the identification of the service component will be reliant upon information from the service provider which will often be problematic given its commercial sensitivity.

We also note that an entity is required to apply the proposals in the Exposure Draft "Revenue from Contracts with Customers" to identify separate performance obligations within a contract that contains both service components and lease components. We disagreed with the method proposed in that Exposure Draft for assigning discounts when combining separate performance obligations in one contract. The consistent discount being allocated to each performance obligation (as a result of the allocation of transaction price in proportion to stand alone selling price) may not reflect the economic reality of the contract. We believe permitting management to use their judgement in the allocation of the transaction price would provide more meaningful information to users and would better represent the economics of the transactions.

Often in a lease contract certain discounted services might be offered to secure the contract and in such a case it would be appropriate to apply the discount to the service component only.

Question 5: Scope exclusions

The exposure draft proposes that a lessee or a lessor should apply the proposed IFRS to all leases, including leases of right-of-use assets in a sublease, except leases of intangible assets, leases of biological assets and leases to explore for or use minerals, oil, natural gas and similar non-regenerative resources.

Do you agree with the proposed scope of the proposed IFRS? Why or why not? If not, what alternative scope would you propose and why?

We agree that the exclusion of leases over rights to extract mineral, oil, natural gas and similar non-regenerative resources is appropriate and should be dealt with in the Extractive Industries project.

Question 6: Contracts that contain service components and lease components

The exposure draft proposes that lessees and lessors should apply the proposals in Revenue from Contracts with Customers to a distinct service component of a contract that contains service components. If the service component in a contract that contains service components and lease components is not distinct:

- (a) the FASB proposes that the lessee and lessor should apply the lease accounting to the combined contract.*
- (b) the IASB proposes that :*
 - (i) a lessee should apply the lease accounting requirements to the combined contract*
 - (ii) a lessor that applies the performance obligation approach should apply the lease accounting requirements to the combined contract.*
 - (iii) a lessor that applies the derecognition approach should account for the lease component in accordance with the lease requirements, and the service component in accordance with the proposals in Revenue from Contracts with Customers.*

Do you agree with either approach to accounting for leases that contain service and lease components? Why or why not? If not, how would you account for contracts that contain both service and lease components and why?

As set out in response to Question 4 above we do not consider that the lessee or the lessor should apply lease accounting to the combined contract.

Question 7: Purchase Options

The exposure draft proposes that a lease contract should be considered as terminated when an option to purchase the underlying asset is exercised. Thus, a contract would be accounted for as a purchase and a sale when the purchase option is exercised.

Do you agree that a lessee or a lessor should account for purchase options only when they are exercised? Why or why not? If not, how do you think that a lessee or a lessor should account for purchase options and why?

We agree with the IASB's proposal to account for purchase options only when they are exercised.

Question 8: Lease Term

Do you agree that a lessee or a lessor should determine the lease term as the longest possible term that is more likely than not to occur taking into account the effect of any options to extend or terminate the lease? Why or why not? If not, how do you propose that a lessee or a lessor should determine the lease term and why?

We do not agree that options should be taken into account when determining the lease term as an entity does not have a liability for the option term until the option is exercised.

We do not agree that another measurement concept should be introduced into the lease standard. We would prefer to use the measurement concepts in IAS 37 "Provision, Contingent Liabilities and Contingent Assets". As stated in our opening remarks, we urge the IASB to develop measurement principles in the IFRS Framework to achieve consistent measurement principles across all IFRS's. Introducing another measurement principle at a standards level is confusing for both preparers and users and results in less meaningful financial information.

Question 9: Lease Payments

Do you agree that contingent rentals and expected payments under term option penalties and residual value guarantees that are specified in the lease should be included in the measurement of assets and liabilities arising from a lease using an expected outcome technique? Why or why not? If not, how do you propose that a lessee or a lessor should account for contingent rentals and expected payments under term option penalties and residual value guarantees and why?

Do you agree that lessors should only include contingent rentals and expected payments under term option penalties and residual value guarantees in the measurement of the right to receive lease payments if they can be measured reliably? Why or why not?

We agree that contingent rentals, penalties and residual value guarantees should be included in the future cash flows identified for measuring the liability and asset. However, as stated in response to Question 8, we prefer that measurement concepts in IAS 37 "Provision, Contingent Liabilities and Contingent Assets" be replicated or cross referred in the Exposure Draft rather than stipulate another measurement concept in the lease standard itself.

We do not agree with inserting the condition of reliable measurement for application by lessors alone. Measurement principles should apply equally to lessees and lessors. We believe that in determining whether or not lessors include contingent rentals, expected payments under term option penalties and residual guarantees in the measurement of the right to receive lease payments, the lessor should apply the tests set out in the IFRS Framework as to whether or not these amounts meet the definition of an asset. To the extent that contingent rentals are not probable of being received then we would consider that they do not meet the definition of an asset and should therefore not be recognised by the lessor.

Question 10: Reassessment

Do you agree that lessees and lessors should remeasure assets and liabilities arising under a lease when changes in facts or circumstances indicate that there is a significant change in the liability to make lease payments or in the right to receive lease payments arising from changes in the lease term or contingent payments (including expected payments under term option penalties and residual value guarantees) since the previous reporting period? Why or why not? If not, what other basis would you propose for reassessment and why?

We agree that, consistent with the requirements of IFRIC 1 “Changes in Existing Decommissioning Restoration and Similar Liabilities” it is appropriate to remeasure the assets and liabilities under a lease when there is a change in the facts and circumstances which indicate that there is a significant change in the liability to make lease payments or in the right to receive lease payments. However, we are concerned that the remeasurement as proposed would create significant work to identify potentially large numbers of minor changes. Accordingly, we would prefer that the remeasurement mechanism operate in the same way that impairment trigger tests operate under IAS36. That is, no remeasurement be required unless there is an event or change in circumstance which would indicate that a remeasurement is necessary.

Question 11: Sale and Leaseback

Do you agree with the criteria for classification as a sale and leaseback transaction? Why or why not? If not, what alternative criteria would you propose and why?

We agree that, in a sale and leaseback transaction, it is consistent to apply the same test in determining if a sale has occurred, to the tests used to distinguish between purchases and sales and leases proposed in the Exposure Draft. Similarly, it is appropriate to assess if a contract represents a leaseback of the underlying asset by applying the definition of a lease as proposed in the Exposure Draft. However, as noted in response to Question 4 above, we consider that the tests for determining if a contract contains a lease are difficult to apply in practice.

Question 12 Statement of financial position

(a) Do you agree that a lessee should present liabilities to make lease payments separately from other financial liabilities and should present right-of-use assets as if they were tangible assets within property, plant and equipment or investment property as appropriate, but separately from assets that the lessee does not lease? Why or why not? If not, do you think that a lessee should disclose this information in the notes instead? What alternative presentation do you propose and why?

Question 12 (b)

Do you agree that a lessor applying the performance obligation approach should present underlying assets, rights to receive lease payments and lease liabilities gross in the statement of financial position, totalling to a net lease asset or lease liability? Why or why not? If not, do you think that a lessor should disclose this information in the notes instead? What alternative presentation do you propose and why?

Question 12 (c)

Do you agree that a lessor applying the derecognition approach should present rights to receive lease payments separately from other financial assets and should present residual assets separately within property, plant and equipment? Why or why not? Do you think that a lessor should disclose this information in the notes instead? What alternative presentation do you propose and why?

Question 12(d)

Do you agree that lessors should distinguish assets and liabilities that arise under a sublease in the statement of financial position? Why or why not? If not, do you think that an intermediate lessor should disclose this information in the notes instead?

Question 13: Statement of comprehensive income

Do you think that lessees and lessors should present lease income and lease expense separately from other income and expense in profit or loss? Why or why not? If not, do you think that a lessee or a lessor should disclose this information in the notes instead? Why or why not?

Question 14: Statement of cash flows

Do you think that cash flows arising from leases should be presented in the statement of cash flows separately from other cash flows? Why or why not? IF not, do you think that a lessee or a lessor should disclose this information in the notes instead? Why or why not?

We consider that a “right of use” an asset meets the definition of an intangible asset and, in isolation, should be classified accordingly. However, as further explained below, we do not believe that presenting such assets separately on the face of the statement of financial position would meet the needs of users in most situations.

We do not agree with the Board’s conclusion on presentation of leases on the face of the Statement of Financial Position, the Statement of Comprehensive Income and Statement of Cash Flows. The Board has stated that, as the right of use asset is very different to an owned asset, these assets should be presented separately on the statement of financial position. We believe that the determination of whether or not the assets and liabilities should be separately disclosed on the face of the statement of financial position, as opposed to disclosing this information in the notes, should be determined by applying IAS 1 “Presentation of Financial

Statements". That is, we believe that an entity should only present additional line items to those listed in IAS 1 "Presentation of Financial Statements" when such presentation is relevant to an understanding of the entity's financial position. In many situations, we do not believe that users would be particularly concerned about the mechanism by which an entity has gained control over the use of certain assets. In those situations, presenting all assets (owned and leased) on the statement of financial position would be sufficient, with further breakdown between assets held under lease and assets owned directly presented in the notes.

If the Board do consider that separate disclosure is warranted in the financial statements, we consider that this requirement be established by amending IAS 1 "Presentation of Financial Statements" and not by embedding this requirement in the lease standard.

Question 15 Disclosure

Do you agree that lessees and lessors should disclose quantitative and qualitative information that:

(a) identifies and explains the amounts recognised in the financial statements arising from leases; and

(b) describes how leases may affect the amount, timing and uncertainty of the entity's future cash flows

Why or why not? If not, how would you amend the objectives and why?

We do not consider that the benefits to be derived by analysts and other users of the financial statements in providing the additional disclosures proposed in the Exposure Draft justifies the cost to the preparers of financial statements, specifically in relation to lessees.

We consider that the most important information relevant to users of the financial statements is the timing and present value of lease liabilities and the assumptions used to determine the amounts presented. We do not consider that lengthy disclosures regarding term options, the existence and terms of options to purchase underlying assets, the existence and terms of residual value guarantees or the initial direct costs incurred and included in the measurement of the right-of-use asset or right to receive lease payments provide information that is relevant to the users of financial statements.

Question 16 Transition

(a) The exposure draft proposes that lessees and lessors should recognise and measure all outstanding leases as of the date of initial application using a simplified retrospective approach (paragraphs 88-96 and BC186-BC199). Are these proposals appropriate? Why or why not? If not, what transitional requirements do you propose and why?

(b) Do you think full retrospective application of lease accounting requirements should be permitted? Why or why not?

(c) Are there any additional transitional issues the boards need to consider? If yes, which ones and why?

We support the Board's effort to simplify the transition to the new standard and agree that the liability be measured at the present value of the remaining lease payments and the asset be measured at the amount of the related liability to make lease payments, subject to any adjustments required to reflect impairment.

In addition, we consider that any leases that meet the definition of a sale and purchase as set out in the Exposure Draft should be accounted for as such and no longer recognised as leases. This was not addressed in the transitional issues.

Significant work and review of all lease contracts, and contracts with embedded leases, will be required prior to application of this proposed standard and therefore, we urge the IASB to consider a long lead time to the effective date of this proposed standard.

Question 17 Benefits and Costs

Paragraphs BC200-BC205 set out the boards' assessment of the costs and benefits of the proposed requirements. Do you agree with the board's assessment that the benefits of the proposals would outweigh the costs? Why or why not?

We do not agree that the Board has clearly demonstrated the basis of its overall conclusions about the cost / benefit equation. While the proposals in the Exposure Draft might be seen to improve lease accounting, as explained in our comments above, some of the proposals would result in outcomes that conflict with the framework. Furthermore, we expect the administrative cost of the proposals to be significant, both on transition and ongoing. For each lease, an entity will need to establish data and systems that provide functionality similar to that required for both property, plant and equipment and financial liabilities. While many entities might have existing processes and systems for the former, the capacity to cope with latter is far less common.

We expect that most of the information requirements of users is already well serviced through the disclosure of lease commitments. Relatively cheap enhancements to the disclosure regime would be able to ensure that users have sufficient information to understand the future cash flow impacts of all leasing arrangements.

With respect to the specific burden of having to constantly remeasure lease liabilities and assets, we do not believe that the Board's proposed solution is sufficient. The Board has stated that reassessment of a lease liability is only required when there is an indication of a significant change in lease payments. Often to determine whether a change is considered "significant" the calculation to assess the impact has to be made to ensure that all significant changes have been identified. Therefore the onus is still on the preparer to ensure that no significant changes have occurred and the costs of reassessment will still be incurred by the preparers regardless of whether or not the change is significant.

Question 18 Other Comments

Do you have any other comments on the proposals?

We believe that the IASB should finalise the Conceptual Framework before finalising the leases Standard. This will ensure that consistent measurement and recognition principles are applied across all the standards.

We would like to thank the IASB in providing the opportunity to comment on this important issue.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Brett Rix". The signature is written in a cursive style with a large initial "B" and a long, sweeping tail.

Brett Rix
VP External Reporting and Governance