Sir David Tweedie  
International Accounting Standards Board  
30 Cannon Street  
London  
EC4M 6XH  

15 December 2010

Dear Sir

Exposure Draft – Leases – ED/2010/9

We welcome the opportunity to comment on the Exposure Draft ED/2010/9 ‘Leases’ (“Exposure Draft”) published by the International Accounting Standards Board (“IASB”) in August 2010.

This letter expresses the views of Best Buy Europe (“BBE”) which acts as a lessee in over 2,000 retail stores in nine European countries under a variety of brand names including Best Buy, The Carphone Warehouse and The Phone House. The paper therefore summarises our key observations and concerns related to the above referenced Exposure Draft.

Overview

Whilst we support the potential changes to lease accounting and disclosures that improve the relevance and reliability of information we provide to analysts and our investors, we have significant concerns over certain proposals and we have summarised these below.

We believe the recommendations of the Exposure Draft will create inconsistencies with existing accounting standards and practices. For example including renewal terms and contingent rental in the calculation of the lease asset and liability appears inconsistent with the current definition of a liability.

We are also concerned that the significant changes proposed to presentation in the income statement and cash flow statement would cause confusion for investors. Furthermore, use of the effective interest rate method distorts the Income Statement as the cost of a lease will be higher in earlier years than later and hence is inconsistent with the overall economic benefits received. We do not believe that the decision to either buy or lease a retail store is a financing decision, instead it is an operational one based on our business plans. There is not a freehold market in the High Street so it does not seem reasonable to put a significant level of finance lease costs within the interest expense line on the Income Statement given that we have limited choice.

Lease Term

We disagree with the proposal that lease assets and liabilities should be determined by reference to the longest possible term that is more likely than not to apply, taking into account the effect of any options to extend the lease.

Options to extend leases will exist through either specific clauses included in lease contracts or statutory rights in certain countries. In both cases this will give the lessee the ability to elect to continue to use the leased asset; however, it will not ordinarily commit the lessee to doing so. We do not believe that the right to extend a lease meets the definition of a liability under the IASB’s accounting framework: a present obligation based on past events. The
acceptance or otherwise of lease extension options will be based on decisions made by the lessee in the future, based on information and assessments available at this time. As such, we consider that if lease assets and liabilities are recognised at all, their value should be determined by reference only to the committed term.

In addition, we consider that any assessment of the likelihood of exercising options to extend would be highly judgemental and would inevitably lead to inconsistency of application, as well as requiring significant effort. Further consideration is given below to the practical complexities and difficulties of making such future-looking assessments in relation to individual leases.

**Contingent Rental**

We do not agree that future contingent rentals should be included in the measurement of lease liabilities or assets.

Contingent rentals will reflect assumptions about future events and, again, we do not think that recognising a liability in respect of future events is consistent with the definition of a liability, being a present obligation based on past events.

Further, any valuation based on uncertain future events would be highly judgemental and would give rise to further inconsistency between businesses. This would be particularly challenging from a practical perspective, as assessments would unavoidably be based on unreliable long-term assumptions which could not have been subject to the usual rigours of budget and planning processes.

**Application and core/non core**

As noted above we believe that some aspects of the Exposure Draft would be onerous and could practically result in a significant increase in effort. As such we believe that relevant parties involved in the application, oversight and enforcement of such standards would need to acknowledge and accept a reasonable and pragmatic application of such requirements (eg. grouping of leases and application of common assumptions by category or possibly the use of sampling). In light of the additional time and cost required to implement these proposals we would encourage the Board to delay the release of any revised leasing standard.

We believe that the Exposure Draft should distinguish between core and non core leases. For a retailer our chain of stores represent the core assets for our underlying business and as such these should be the relevant leases to be considered for recognition under the model proposed in the Exposure Draft. Disclosure should be required of core versus non core in the financial statements.

If you have any questions in relation to this letter please do not hesitate to contact Ian Kenyon (+44 (0) 20 8753 8573)

Yours sincerely

[Signature]

Ian Kenyon  
Chief Financial Officer  
Best Buy Europe Distributions Limited