

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



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