



THE ASSOCIATION OF CHIEF ESTATES SURVEYORS & PROPERTY MANAGERS IN THE PUBLIC SECTOR

Please Reply to: Strategic Estates, Highways Depot, Brindley Road, Leckwith, CARDIFF. CF 11 8TX

International Accounting Standards Board,
30 Cannon Street,
LONDON.
EC4M 6XH

15th December 2010

Dear Sir/Madam

IFRS Leases Exposure Draft

Consultation Response from Welsh Branch of ACES (Association of Chief Estates Officers and Property Managers in the Public Sector)

ACES is the professional body representing Estates Officers, including Valuers, in the public sector. The Welsh Branch is grateful for the opportunity to comment on the Exposure Draft and the Basis for Conclusions.

We are pleased to see that the difficulties of the treatment of leases as either operating leases or finance leases has been recognised and the proposal to deal with leases, at least leases of real property (or real estate, or land and buildings), under a right-of-use model is preferable to the existing situation. However, the treatment of leases as either finance or operating leases seems to have resurfaced under revised terminology as 'Performance obligation approach' and 'Derecognition approach'. The latter would appear to be more appropriately applicable to leases of real property, at least insofar as what is termed in your document as the "residual" value (to a valuer, correctly the 'reversionary' value as 'residual value' has a completely different meaning, and consequently 'residual value guarantee'; could be differently construed) is recognised.

Perhaps some of the difficulties encountered in what has to be a multi-disciplinary approach to asset valuation (valuations for financial reports) could be overcome by recognising the established and accepted definitions rather than trying to re-define them which can only serve to confuse the professionals in the other disciplines. Thus the treatment of leases may perhaps be more appropriately served by separation into leases of real property and leases of chattels, as the latter will in many, if not most, cases be lease-purchase arrangements.



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While the document addresses a number of scenarios for leases (of real property) such as sale and leaseback arrangements and changes in lease term (lease re-gearing), we are surprised that the subject of premiums for leases and the treatment of these have not been explicitly addressed.

In assessing the present value of lease payments (the valuation), the determination of the lease term at outset to include a percentage probability of the renewal of a lease and the length of the renewal term is speculative and potentially misleading, and, in our view, should not be included.

We trust that our views will be taken into account and thank you for the opportunity to comment. We see this as an evolving 'work in progress' and would expect to see further drafts in due course.

Yours sincerely,

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Valuer/Prisiwr
Secretary to the Welsh Branch of ACES
(Association of Chief Estates Surveyors and Property Managers in the Public Sector)