



Westdeutsche
ImmobilienBank

London Branch

24 September 2002

International Accounting Standards Board
30 Cannon Street
London
EC4M 6XH

Dear Sirs

International Accounting Standards

The Association of Property Bankers represents the interests of all major property lenders in the United Kingdom.

We are concerned about the Board's proposed changes to IAS 17 which would lead to property leases being split and accounted for separately with a lease of land treated as an operational lease and a lease of buildings as a finance lease or an operating lease depending on the terms. We are also concerned about changes to IAS 40 which would mean that where long leasehold interests are treated as an investment property, the lease obligations as represented by the head lease must be accounted for as a finance lease and consequently grossed up as a liability.

We feel that those changes will increase the already heavy burden on property companies which may cause even more illiquidity in the market as there already is.

We do not believe that under IAS 17 leases of land and leases of buildings should be notionally split and accounted for separately under the revised standard. With regard to [AS 40, we welcome the proposal that a lessee's long lease in a property can be treated as an investment property. We do not agree it should be a pre-requisite under the fair value model that a lessee's property interest should be accounted for as a finance lease.

Both these proposals introduce unnecessary complexity into an area which, in the United Kingdom is currently straightforward and which meets the needs of users of Financial Statements. They will lead to increased costs for all companies preparing IAS Accounts and for no discernable benefits to users. They also seem to fly in the face of logical argument since it is simply not possible to have a building without paying for the land on which it is situated. Moreover the whole area of lease accounting is being reviewed at present by the Accounting Standards Board on behalf of the IASB and requiring systems changes to be made now when the systems may need further change in due course seems unnecessarily bureaucratic and likely to lead to nugatory cost and effort.

We are aware that the British Property Federation has submitted a detailed response to the TASB proposals and we fully support their arguments and the amendments to the revised IASB's proposals that they propose.

We are copying this letter to the Accounting Standards Board. Yours faithfully



Klaus Schreiner
President of Association of Property Bankers