GRANTCHESTER

Our ref: ANH/sjh/16-001

International Accounting Standards Board
30 Cannon Street
London EC4M 6XH

16th September 2002

Dear Sirs

Grantchester Holdings PLC

We are a property investment and development business and a member of the British Property Federation.

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.

IAS 17

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.

IAS 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.

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Both these proposals introduce unnecessary complexity into an area which, in the UK 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 benefit 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. However 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 is submitting a detailed response to the IASB 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 sincerely,

Nick Hewson
Chairman

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