

Agenda paper 5E, Appendix A— Illustrative reassessment examples of variable lease payment

Lease Term	5
Base rent - fixed lease payment	100,000
Variable rent - contingent payment	base x spot / 100
Discount Rate	6%
Rate at start of lease	104.06

No reassessment

Year	Estimated Base Rent Payments	Spot Rate	Fixed Cash Rent	Variable Cash Rent	Total Cash Rent Payments	ROU Asset End of period	Lease Obligation End of period	Amort/ Dep Expense	Interest Expense	Rent Expense	Total lease expense
0		104.06				438,339	438,339				
1	104,060	104.23	100,000	4,230	104,230	350,671	360,579	87,668	26,300	170	114,138
2	104,060	104.50	100,000	4,500	104,500	263,003	278,154	87,668	21,635	440	109,742
3	104,060	104.86	100,000	4,860	104,860	175,335	190,783	87,668	16,689	800	105,157
4	104,060	106.88	100,000	6,880	106,880	87,668	98,170	87,668	11,447	2,820	101,935
5	104,060	107.53	100,000	7,530	107,530	-	(0)	87,668	5,890	3,470	97,028
TOTAL	520,300		500,000	28,000	528,000			438,339	81,961	7,700	528,000

Reassessment Method 1 (Year 1): Record change in lease obligation as a change to the ROU asset

Year	Estimated Base Rent Payments	Spot Rate	Fixed Cash Rent	Variable Cash Rent	Total Cash Rent Payments	ROU Asset End of period	Lease Obligation End of period	Amort/ Dep Expense	Interest Expense	Rent Expense	Total lease expense	P&L Difference
0		104.06				438,339	438,339					
1	104,060	104.23	100,000	4,230	104,230	351,260	361,168	87,668	26,300	170	114,138	\$0.00
2	104,230	104.50	100,000	4,500	104,500	264,167	279,330	87,815	21,670	270	109,755	(\$12.61)
3	104,500	104.86	100,000	4,860	104,860	176,771	192,250	88,056	16,760	360	105,175	(\$18.41)
4	104,860	106.88	100,000	6,880	106,880	90,291	100,830	88,386	11,535	2,020	101,941	(\$5.85)
5	106,880	107.53	100,000	7,530	107,530	-	-	90,291	6,050	650	96,991	\$36.87
TOTAL	524,530		500,000	28,000	528,000			442,215	82,315	3,470	528,000	(\$0.00)

Year 1	Year 2		Year 5	
	Dr	Cr	Dr	Cr
ROU		87,079		87,093
L/O	77,171		81,838	
Amort	87,668		87,815	
Int	26,300		21,670	
Rent	170		270	
Cash		104,230		104,500
	191,309	191,309	191,593	191,593
				197,821
				197,821

Appendix A— Illustrative examples of variable lease payment

Illustration of reassessment and no reassessment approaches in an example of a CPI index based payment. CPI index at start of lease is 125.

Lease Term 5
 Base Rent 100,000
 Variability Base rent x Change in CPI Rate Index
 Discount Rate 8%

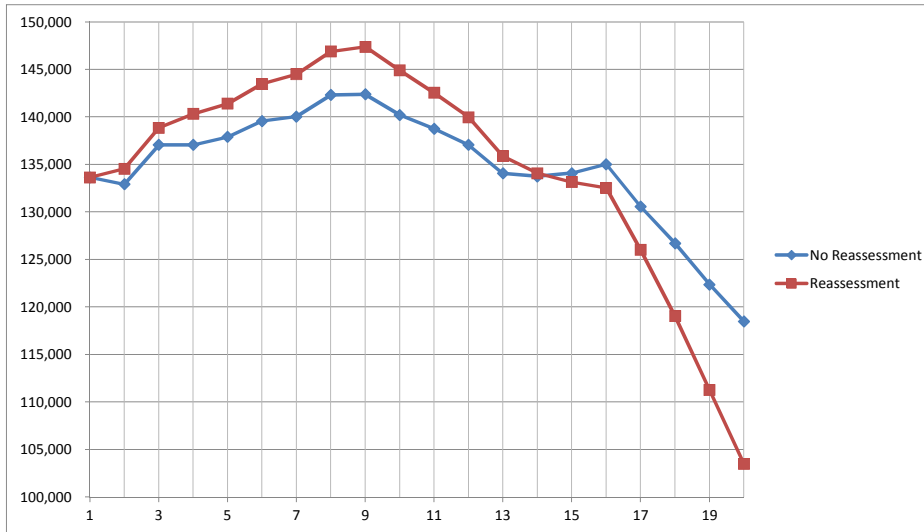
No reassessment

Year	Base Rent Payments	CPI Index	Actual Payment	ROU Asset end of period	Lease Obligation end of period	Amort/ Dep Expense	Interest Expense	Rent Expense	Total lease expense
0		125		981,815	981,815				
1	100,000	131	106,000	932,724	960,360	49,091	78,545	6,000	133,636
2	100,000	132	107,000	883,633	937,189	49,091	76,829	7,000	132,920
3	100,000	138	113,000	834,543	912,164	49,091	74,975	13,000	137,066
4	100,000	140	115,000	785,452	885,137	49,091	72,973	15,000	137,064
5	100,000	143	118,000	736,361	855,948	49,091	70,811	18,000	137,902
6	100,000	147	122,000	687,270	824,424	49,091	68,476	22,000	139,567
7	100,000	150	125,000	638,180	790,378	49,091	65,954	25,000	140,045
8	100,000	155	130,000	589,089	753,608	49,091	63,230	30,000	142,321
9	100,000	158	133,000	539,998	713,896	49,091	60,289	33,000	142,379
10	100,000	159	134,000	490,907	671,008	49,091	57,112	34,000	140,202
11	100,000	161	136,000	441,817	624,689	49,091	53,681	36,000	138,771
12	100,000	163	138,000	392,726	574,664	49,091	49,975	38,000	137,066
13	100,000	164	139,000	343,635	520,637	49,091	45,973	39,000	134,064
14	100,000	168	143,000	294,544	462,288	49,091	41,651	43,000	133,742
15	100,000	173	148,000	245,454	399,271	49,091	36,983	48,000	134,074
16	100,000	179	154,000	196,363	331,213	49,091	31,942	54,000	135,032
17	100,000	180	155,000	147,272	257,710	49,091	26,497	55,000	130,588
18	100,000	182	157,000	98,181	178,326	49,091	20,617	57,000	126,708
19	100,000	184	159,000	49,091	92,593	49,091	14,266	59,000	122,357
20	100,000	187	162,000	(0)	(0)	49,091	7,407	62,000	118,498
TOTAL	2,000,000		2,694,000			981,815	1,018,185	694,000	2,694,000

Reassessment Method 1 (Year 1): Record change in lease obligation as a change to the ROU asset

Year	Base Rent Payments	CPI Index	Actual Payment	ROU Asset end of period	Lease Obligation end of period	Amort/ Dep Expense	Interest Expense	Rent Expense	Total lease expense
0		125		981,815	981,815				
1	100,000	131	106,000	990,346	1,017,982	49,091	78,545	6,000	133,636
2	100,000	132	107,000	947,594	1,002,792	52,123	81,439	1,000	134,562
3	100,000	138	113,000	949,680	1,030,745	52,644	80,223	6,000	138,867
4	100,000	140	115,000	911,519	1,017,907	55,864	82,460	2,000	140,323
5	100,000	143	118,000	880,227	1,010,018	56,970	81,433	3,000	141,403
6	100,000	147	122,000	854,523	1,005,797	58,682	80,801	4,000	143,483
7	100,000	150	125,000	817,197	987,972	61,037	80,464	3,000	144,501
8	100,000	155	130,000	792,016	979,690	62,861	79,038	5,000	146,899
9	100,000	158	133,000	747,431	949,482	66,001	78,375	3,000	147,377
10	100,000	159	134,000	686,193	899,151	67,948	75,959	1,000	144,907
11	100,000	161	136,000	630,068	849,577	68,619	71,932	2,000	142,551
12	100,000	163	138,000	571,553	793,036	70,008	67,966	2,000	139,974
13	100,000	164	139,000	505,316	723,685	71,444	63,443	1,000	135,887
14	100,000	168	143,000	451,619	661,072	72,188	57,895	4,000	134,083
15	100,000	173	148,000	396,313	590,921	75,270	52,886	5,000	133,156
16	100,000	179	154,000	336,923	510,068	79,263	47,274	6,000	132,536
17	100,000	180	155,000	255,269	399,450	84,231	40,805	1,000	126,036
18	100,000	182	157,000	173,746	279,973	85,090	31,956	2,000	119,046
19	100,000	184	159,000	88,725	147,222	86,873	22,398	2,000	111,271
20	100,000	187	162,000	-	-	88,725	11,778	3,000	103,503
TOTAL	2,000,000		2,694,000			1,364,932	1,267,068	62,000	2,694,000

Year	No Reassessment	Reassessment
1	133,636	133,636
2	132,920	134,562
3	137,066	138,867
4	137,064	140,323
5	137,902	141,403
6	139,567	143,483
7	140,045	144,501
8	142,321	146,899
9	142,379	147,377
10	140,202	144,907
11	138,771	142,551
12	137,066	139,974
13	134,064	135,887
14	133,742	134,083
15	134,074	133,156
16	135,032	132,536
17	130,588	126,036
18	126,708	119,046
19	122,357	111,271
20	118,498	103,503
TOTAL	2,694,000	2,694,000



Appendix A— Illustrative examples of variable lease payment

Lease Term	5
Base rent - fixed lease payment	100,000
Variable rent - contingent payment	10% of sales
Discount Rate	6%
Rate at start of lease	151,240

Scenario A - % of sales											
Year	Base Rent Payments	Pattern of Benefits	Recorded Sales	Variable Rent	Total Rent Payments	ROU Asset end of period	Lease Obligation end of period	Amort/ Dep Expense	Interest Expense	Rent Expense	Total lease expense
0			151,240			421,236	421,236				
1	100,000	100,000	153,643	15,364	115,364	336,989	346,511	84,247	25,274	15,364	124,886
2	100,000	100,000	155,273	15,527	115,527	252,742	267,301	84,247	20,791	15,527	120,565
3	100,000	100,000	210,736	21,074	121,074	168,495	183,339	84,247	16,038	21,074	121,359
4	100,000	100,000	243,945	24,395	124,395	84,247	94,340	84,247	11,000	24,395	119,642
5	100,000	100,000	234,582	23,458	123,458	-	-	84,247	5,660	23,458	113,366
	100,000							421,236	78,764	99,818	599,818