

IFRS 16 sets out a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. One of the most notable aspects of IFRS 16 is that the lessee and lessor accounting models are asymmetrical.

While the IASB has retained IAS 17's finance lease/operating lease distinction for lessors, the distinction is no longer relevant for lessees. All lease contracts, including renting contracts, will be recognised on the balance sheet of the lessees, with some exceptions in limited circumstances.

The standard will have broad implications for many stakeholders and metrics, including finance departments, property teams, financial banking covenants, remuneration schemes and regulatory compliance.

IFRS 16 will replace IAS 17 for reporting periods beginning on or after **1 January 2019**.

**The time to act is now.
So get it on balance sheet!**

For more information please contact:



Sinéad McHugh
Partner
T: +353 1 417 2817
E: simchugh@deloitte.ie



Babar Khan
Senior Manager
T: +353 1 407 4896
E: babkhan@deloitte.ie



Brian Rajakovich
Manager
T: +353 1 417 3193
E: brajakovich@deloitte.ie

Deloitte.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see www.deloitte.com/about for a more detailed description of DTTL and its member firms.

At Deloitte, we make an impact that matters for our clients, our people, our profession, and in the wider society by delivering the solutions and insights they need to address their most complex business challenges. As one of the largest global professional services and consulting networks, with over 244,400 professionals in more than 150 countries, we bring world-class capabilities and high-quality services to our clients. Deloitte Ireland has over 2,300 people providing audit, tax, consulting and corporate finance services to public and private clients spanning multiple industries. Our people have the leadership capabilities, experience, and insight to collaborate with clients so they can move forward with confidence.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the "Deloitte Network") is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this communication.

© 2017 Deloitte. All rights reserved

Contacts

Dublin
Deloitte & Touche House
Earlsfort Terrace
Dublin 2
T: +353 1 417 2200
F: +353 1 417 2300

Cork
No.6 Lapp's Quay
Cork
T: +353 21 490 7000
F: +353 21 490 7001

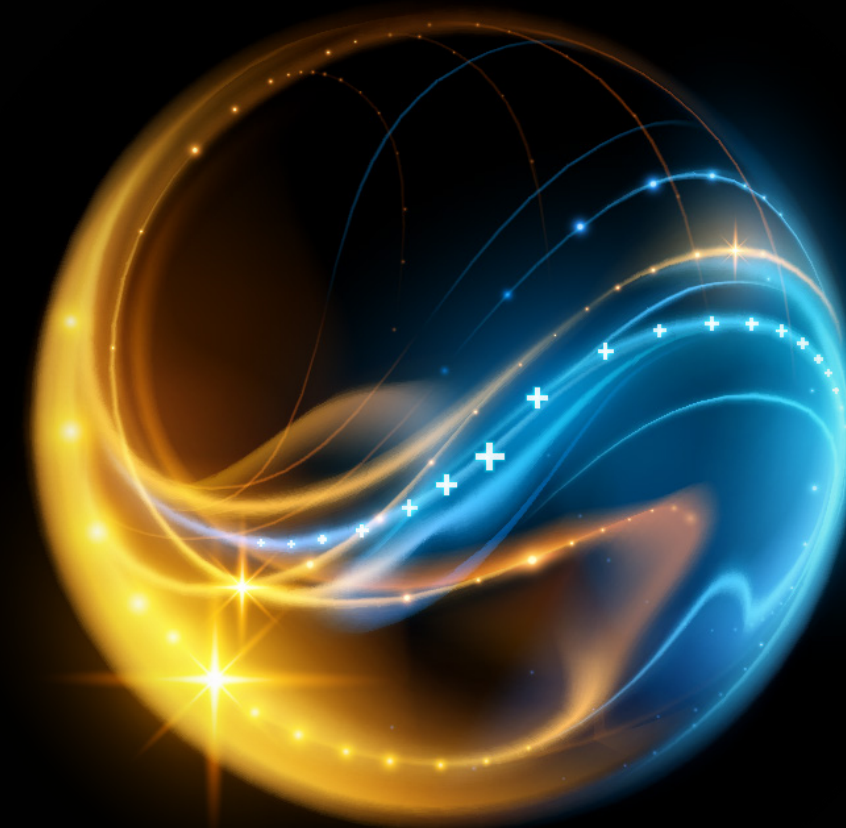
Limerick
Deloitte & Touche House
Charlotte Quay
Limerick
T: +353 61 435500
F: +353 61 418310

Galway
Galway Financial Services Centre
Moneenageisha Road
Galway
T: +353 91 706000
F: +353 91 706099

Belfast
19 Bedford Street
Belfast, BT2 7EJ
Belfast, Northern Ireland
T: +44 (0)28 9032 2861
F: +44 (0)28 9023 4786

deloitte.ie

Deloitte.



IFRS 16 - Leases

The time to act is now.
So get it on balance sheet!

Deloitte
Financial Reporting
plus

What are the key questions?



- How do you plan to assess the financing component of a lease, given the inherent difficulty of identifying the implicit rate of interest?
- Do you have systems to track individual leases?
- What about internal controls?
- What is the impact on key performance indicators, budgeting, planning and forecasting?
- Will there be additional disclosure requirements needed in your financial statements?
- Do you have contracts that provide access to assets that might be difficult to classify i.e. are they a lease or a service?
- Can you take advantage of any of the lease exemptions or practical expedients?
- How do you plan on communicating with stakeholders e.g. capital markets, banks & executives?
- Do you have to reassess all your current lease contracts on adoption of IFRS 16?

Key phases to a successful implementation



Phase 1: Assessment

Scoping

- Lease definition
- Desired approach
- Define steering model

Analysis

- IFRS 16 impact
- Assess contracts
- Tax impact



Phase 2: Development

Preparation

- Lease guidelines
- To be architecture
- Process flows

Development

- Accounting rules
- Develop interfaces
- Develop reports



Phase 3: Implementation & Sustainability

Implementation

- Processes
- Test integration & user acceptance
- Develop training and communication solutions

What are the impacts on the income statement and balance sheet?

	EBITDA	EBIT	NPBT	Expense Pattern	Assets	Liabilities
Change from IAS 17 - Lease						
Operating Leases	↑	↑	↔	Front Loaded	↑	↑
Finance Leases	↔	↔	↔	↔	↔	↔
Discretionary choices - key exemptions and practical expedients						
Short-Term Leases	↓	↓		Smoother	↓	↓
Low-Value Leases	↓	↓		Smoother	↓	↓
Service Separation Exemption	↑	↑		Front Loaded	↑	↑

EBITDA Earning Before Interest, Tax, Depreciation and Amortization
 EBIT Earnings Before Interest and Tax
 NPBT Net Profit Before Tax
 ↑ means for example, that EBITA will generally be higher when IFRS 16 is applied



How can Deloitte help?



Understanding the new standard

Our specialist team can provide a range of training sessions for your teams to educate them on the requirements of the new standard and to help identify the potential implications for your company.



Impact assessment

In line with your individual requirements and preliminary analysis, we advise on project structuring and planning, including timelines, project plans and resourcing.



Technical accounting advice

The new guidance will require changes to accounting policies and its implementation will require new interpretations and judgements. We have the experience to cut through the complexity.



Contract review & lease data gathering

Identify all contracts that are affected by the new leasing standard and assessing the accounting impacts. Our specialised team can calculate the adjustments required on transition to IFRS 16 in conjunction with management.



Systems & processes

Identify the changes required to your current systems, processes and controls. We advise on internal control enhancement and optimisation.



Changes in strategy

Assist you in identifying the best strategy for further leasing contracts, contract terms and lease versus buy decisions.



Communication

We support you in communicating the impact of the new leasing standard to external parties and within your organisation to different stakeholders.