



# PRESENTING YOUR IFRS 16 DISCLOSURES

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## WHAT IS CHANGING FROM IAS 17?

### IAS 17

- IAS 17 does not have specific requirements for the presentation of right-of-use (ROU) assets and lease liabilities in the financial statements. This means that lessees have had to rely on the general guidance under IAS 1 Presentation of Financial Statements and IAS 7 Statement of Cash Flows.

### IFRS 16

- In contrast, IFRS 16 includes specific requirements for the presentation of the ROU asset and lease liability and the corresponding effects on the results and cash flows in the primary financial statements.

# PRESENTATION OF LEASES

## PRIMARY FINANCIAL STATEMENTS

### Statement of Financial Position

- Right-of-use asset: present in its own line item or combine with property plant and equipment, with separate disclosure
- Lease liabilities: present separately or include with other liabilities and disclose which line item they have been included

### Statement of Comprehensive Income

- Interest expense with other finance costs
- Amortisation of right-of-use assets

### Statement of Cash Flows

- Cash payments for lease liabilities as financing activities.
- Cash payments for interest in accordance with IAS 7's requirements for interest paid.
- Short-term, low-value and variable lease payments within operating activities.



# PRESENTATION OF LEASES

## STATEMENT OF FINANCIAL POSITION

### ROU Assets

Present RoU assets that are investment property as investment property. For other underlying assets:

- Present ROU assets within PPE; or
- Present ROU assets separately

# PRESENTATION OF LEASES

## ROU ASSETS - INCLUDED WITHIN PP&E

<b>ABC Company</b>			
<b>Statement of Financial Position</b>			
<b>December 31,</b>	<u><b>20x9</b></u>	<u><b>20x8</b></u>	
<b>Assets</b>			
<b>Current</b>			
Cash	\$ 1,474	\$ 852	
<b>Property, plant &amp; equipment (Note 4)</b>	<u>58,780</u>	<u>44,470</u>	
	<u><b>\$ 60,254</b></u>	<u><b>\$ 45,322</b></u>	

Separately disclose ROU assets in note; disclosure same as separating ROU assets to their own line item

IFRS 16 (Presentation of Leases)

# PRESENTATION OF LEASES

## ROU ASSETS - INCLUDED WITHIN PP&E

**ABC Company**  
Notes to Consolidated Financial Statements

September 30, 20x0

4. Property and Equipment

If combining with PP&E, separate disclosure of RoU assets in notes is still required.

	Land	Building	Computer hardware and software	Right-of-use assets - vehicles	Right-of-use assets - Equipment	Total
<b>Cost</b>						
Balance at September 30, 20x9	\$ 5,200	\$ 15,500	\$ 20,750	\$ 18,450	\$ 36,000	\$ 95,900
Additions	-	200	300	400	1,180	2,080
Disposals	-	(765)	-	(250)	-	(1,015)
Balance at September 30, 20x0	\$ 5,200	\$ 14,935	\$ 21,050	\$ 18,600	\$ 37,180	\$ 96,965

IFRS 16 (Presentation of Leases)

# PRESENTATION OF LEASES

## ROU ASSETS - SEPARATE PRESENTATION

		ABC Company	
		Statement of Financial Position	
December 31,		20x9	20x8
<b>Assets</b>			
<b>Current</b>			
Cash		\$ 1,474	\$ 852
Property, plant & equipment (Note 4)		21,600	21,600
Right-of-use assets (Note 5)		37,180	22,870
		<u>\$ 60,254</u>	<u>\$ 45,322</u>

Contains disclosure similar to a PP&E note, ROU assets separated in note

IFRS 16 (Presentation of Leases)



# PRESENTATION OF LEASES

## STATEMENT OF FINANCIAL POSITION

### Lease Liabilities

Distinguishing between amounts due within 1 year and amounts due > 1 year:

- Present within line items for other liabilities; or
- Separate from other liabilities.



# PRESENTATION OF LEASES

## STATEMENT OF FINANCIAL POSITION (LIAB.) - SEPARATE

### Liabilities and Shareholders' Equity

#### Current

Accounts payable and accrued liabilities	\$	10,000	\$	9,800
Income taxes payable (Note 8)		400		450
Current portion of long-term debt (Note 6)		1,150		1,300
Current portion of lease liabilities (Note 10)		850		900
Deferred revenue		250		350

#### Deferred revenue

Long-term debt (Note 6)  
Lease liabilities (Note 10)

	100	150
	250	400
	750	850
	13,750	14,200

Lease liabilities are presented separate from other liabilities

# PRESENTATION OF LEASES

## LEASE LIABILITIES - SEPARATE PRESENTATION

### Liabilities and Shareholders' Equity

#### Current

Accounts payable and accrued liabilities	\$	10,000	\$	9,800
Income taxes payable (Note 8)		400		450
Current portion of long-term debt and lease liabilities (Note 6)		2,000		2,200
Deferred revenue		250		350
		<hr/>		<hr/>
		12,650		12,800

#### Deferred revenue

#### Long-term debt and lease liabilities (Note 6)

		100		150
		1,000		1,250
		<hr/>		<hr/>
		13,750		14,200

Lease liabilities are grouped in with other liabilities, with separate disclosure in notes



# PRESENTATION OF LEASES

## STATEMENT OF COMPREHENSIVE INCOME

### By Function

- Allocate amortisation on RoU asset to cost of sales, distribution costs and administrative expenses as appropriate
- Include interest on lease liability within aggregate finance costs

### By Nature

- Include amortisation on RoU assets within the aggregate for depreciation and amortisation expense

### Whether by function or by nature

- Include interest on lease liability within aggregate finance costs
- Disclose in notes:
  - Depreciation charge on right-of-use asset by class of underlying asset
  - Interest expense on lease liabilities

# PRESENTATION OF LEASES

## STATEMENT OF CASH FLOWS

### Include:

- Portion of lease payments that represents repayment of interest if the entity has a policy of presenting interest payments as a financing cash flow;
- Payments on short-term leases and leases of low value assets that are "off balance sheet"; and
- Variable lease payments not included in measurement of lease liability.

- Include portion of lease payments that represent repayment of:
- Principal; and
  - Interest if the entity has a policy of presenting interest payments as a financing cash flow.

### ABC Company Consolidated Statement of Cash Flows

For the year ended	September 30, 20x0	September 30, 20x9
<i>(Expressed in thousands of U.S. dollars)</i>		
<b>Cash was (used in) provided by</b>		
<b>Operating activities</b>		
Profit for the period	\$ 36,755	\$ 10,514
Adjustments to reconcile profit to net cash provided by operating activities		
Depreciation of property and equipment	30,003	26,401
Changes in non-cash working capital balances		
Accounts receivable	(3,765)	(3,715)
Inventories	3,729	(6,157)
Accounts payable and accrued liabilities	21,405	42,986
Income taxes	(259)	(396)
	<u>87,868</u>	<u>69,633</u>
<b>Investing activities</b>		
Purchase of property and equipment	(249,041)	(114,766)
	<u>(249,041)</u>	<u>(114,766)</u>
<b>Financing activities</b>		
Increase in long-term debt and demand loans	95,140	63,187
Repayment of lease liabilities	(55,150)	(38,289)
Issuance of share capital (Note 8)	64,694	-
	<u>104,684</u>	<u>24,898</u>



# DISCLOSURE

## QUALITATIVE DISCLOSURE REQUIREMENTS

- A summary of the nature of the entity's leasing activities;
- Potential cash outflows the entity is exposed to that are not included in the lease liability, including: Variable lease payments;
- Extension options and termination options;
- Residual value guarantees; and
- Leases not yet commenced to which the lessee is committed.
- Restrictions or covenants imposed by leases; and
- Information about sale-and-leaseback transactions.

## IMPACT ON LESSOR?

### FINANCE / OPERATING LEASE

- The requirement relating to lessors remains substantially unchanged from IAS 17. Lessors continue to account for leases as either operating or finance leases depending on whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset to the lessee.



# IFRS 16 LEASES

## DISCLOSURE

IFRS 16 requires significantly enhanced disclosure compared to IAS 17. A lessor must disclose qualitative and quantitative information about its leasing activities including the nature of the lessor's leasing activities, how the lessor manages risks associated with any retained rights in assets, a maturity analysis of lease payments receivable and a reconciliation of the discounted lease payments receivable to the net investment in the lease.

# DISCLOSURE REQUIREMENTS

Disclosure requirements for lessors are summarised as follows:

QUANTITATIVE DISCLOSURE REQUIREMENTS	
Finance leases	<ul style="list-style-type: none"><li>• Selling profit or loss;</li><li>• Finance income on the net investment;</li><li>• Income from variable lease payments;</li><li>• Qualitative and quantitative explanation of changes in the net investment; and</li><li>• Maturity analysis of lease payments receivable.</li></ul>
Operating leases	<ul style="list-style-type: none"><li>• Lease income, separately disclosing variable lease payments;</li><li>• Disclosure requirements of IAS 16 for leased assets, separating leased assets from non-leased assets;</li><li>• Other applicable disclosure requirements based on the nature of the underlying asset (e.g. IAS 36, 38, 40, 41); and</li><li>• Maturity analysis of lease payments.</li></ul>

The standard requires the quantitative disclosures to be presented in a tabular format, unless another format is more appropriate.





# DISCLOSURE

## QUALITATIVE DISCLOSURE REQUIREMENTS

Similar to the lessee disclosure requirements, IFRS 16 requires a lessor to disclose additional qualitative information about its leasing activities in order to provide users with a basis for assessing the impact on the financial statements from lease contracts.

This disclosure would include the nature of the lessor's leasing activities and how the lessee manages risks associated with those activities, including risk management on rights retained in underlying assets and risk management strategies including:

- Buy-back agreements;
- Residual value guarantees;
- Variable lease payments for excess use; and
- Any other risk management strategies.