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, banking covenants, remuneration schemes, and regulatory compliance.

IFRS 16 will replace IAS 17 for reporting periods beginning on or after 1 January 2019 with a retrospective application by default.

The time to act is now. So get it on balance!
Some relevant questions

- Do I have to renegotiate current loan contracts?
- Lease or buy?
- How do I capture all data - equal disclosure requirements?
- What is the impact on increased disclosure requirements and ratios?
- What is the impact on Budgeting, Planning & Forecasting?
- What about internal controls?
- How do I communicate towards stakeholders (e.g. capital markets, banks & executives)?

Impact on income statement and balance sheet

<table>
<thead>
<tr>
<th>Change from IAS17 - Lease</th>
<th>EBITA</th>
<th>EBIT</th>
<th>NPBT</th>
<th>Expense Pattern</th>
<th>Assets</th>
<th>Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Leases</td>
<td>up</td>
<td>up</td>
<td>down</td>
<td>Front loaded</td>
<td>up</td>
<td>up</td>
</tr>
<tr>
<td>Finance Leases</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Discretionary choices – change from core IFRS 16 requirements

<table>
<thead>
<tr>
<th>Change from core IFRS 16 requirements</th>
<th>EBITDA</th>
<th>Earnings Before Interest, Tax, Depreciation and Amortization</th>
<th>EBIT</th>
<th>Earnings Before Interest and Tax</th>
<th>NPBT</th>
<th>Net Profit before Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-Term Leases</td>
<td>down</td>
<td>Smoother</td>
<td>up</td>
<td>Smoother</td>
<td>up</td>
<td>up</td>
</tr>
<tr>
<td>Low-Value Leases</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service separation exemption</td>
<td>up</td>
<td></td>
<td>up</td>
<td>Smoother</td>
<td>up</td>
<td>up</td>
</tr>
</tbody>
</table>

Short-term leases
Any lease that has a lease term of 12 months or less is classified as a short-term lease, unless it contains a purchase option. Off-balance sheet accounting can be applied on short-term leases.

Lease of low-value assets
Low-value assets (e.g. printers, telephones, computers) may be maintained off-balance sheet.

Impact assessment
In line with your individual requirements and preliminary analysis, we develop the best approach to introduce the new leasing standard at your company.

Contract review
List all contracts that are affected under the new leasing standard and develop a leasing database with relevant terms and conditions.

Systems & processes
Identify the gaps in your current system. Implement the lease accounting and lease financing guidelines.

Change in strategy
Assist you in identifying the best strategy for future leasing contracts and contract terms.

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

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

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