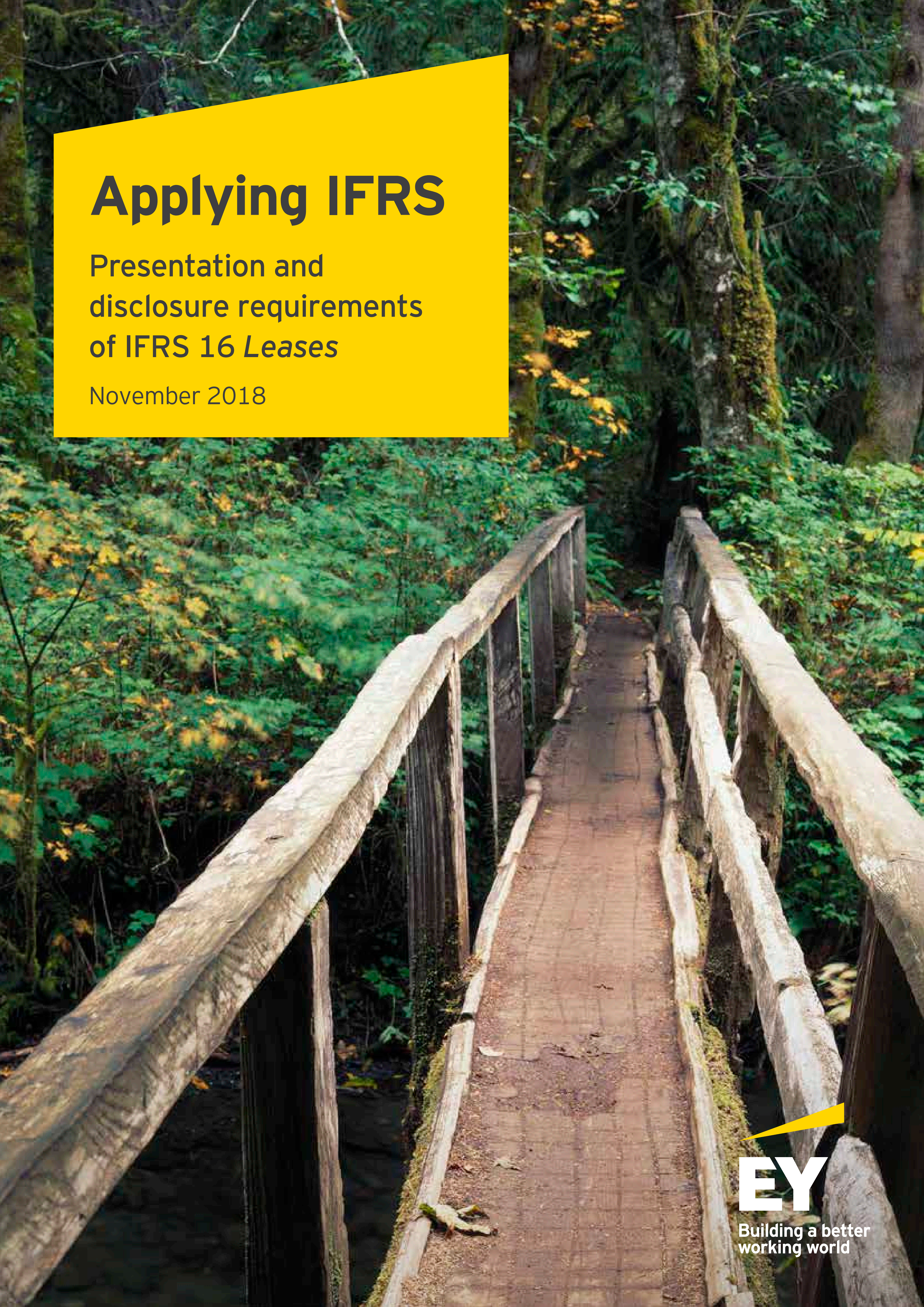
Applying IFRS

Presentation and disclosure requirements of IFRS 16 *Leases*

November 2018



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What you need to know

- IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019.
- With only two months left to implement the standard, entities may wish to start planning for the new presentation and disclosure requirements.
- Entities may need to change aspects of their financial statement presentation and significantly expand the volume of their disclosures when they adopt the new leases standard issued by the IASB.
- Entities will likely need to adjust their processes, controls and systems to capture the necessary data to meet the new presentation and disclosure requirements.

1. Overview

The International Accounting Standards Board (IASB) issued IFRS 16 *Leases*, which requires lessees to recognise assets and liabilities for most leases. This could have broad implications for entities' finances and operations. Entities should plan to explain the effects of applying the new leases standard to stakeholders. Implementing the standard also could require an entity to develop new processes and controls or adjust existing ones to identify and account for leases.

The current lease accounting requirements in IAS 17 *Leases*, have been criticised for failing to meet the needs of users of the financial statements, particularly because IAS 17 does not require lessees to recognise assets and liabilities arising from operating leases. However, IFRS 16 addresses those criticisms by requiring lessees to recognise most leases on their balance sheets and to provide enhanced disclosures. The IASB believes this will result in a more faithful representation of lessees' assets and liabilities and greater transparency of lessees' financial obligations and leasing activities.

The objective of the disclosure requirements is for entities to disclose information in the financial statements that enable users "to assess the effect that leases have on the financial position, financial performance and cash flows of the lessee". To achieve that objective, entities are required to provide disclosures about their assets, liabilities, expenses and cash flows that are generated by lease contracts.[1]

This publication does not cover the presentation and disclosure requirements for lessors or the disclosures required by IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* prior to adoption.

Entities are required to consider the level of detail necessary to satisfy the disclosure objective and the degree of emphasis to place on each of the various requirements. Furthermore, entities are required to ensure that useful information is not obscured (by either the inclusion of a large amount of insignificant detail or the aggregation of items that have substantially different characteristics).

How we see it

Entities should review their disclosures to determine whether they have met the standard's disclosure objective to enable users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the lessee.

This publication provides a summary of the new presentation and disclosure requirements for lessees in IFRS 16 both at transition and on an ongoing basis. It also illustrates possible formats entities could use to disclose information required by IFRS 16 using real-life examples from entities that have early adopted IFRS 16.

[1] IFRS 16.51

Extracts from financial reports presented in this publication are reproduced for illustrative purposes. They have not been subject to any review on compliance with IFRS or any other requirements, such as local capital market rules. This publication documents practices that entities have developed and the extracts presented here are not intended to represent 'best practice'. We also remind readers that the extracts presented should be read in conjunction with the rest of the information provided in the financial statements and the related notes in order to understand their intended purposes.

This publication supplements our *Applying IFRS*, *A closer look at the new leases standard* (general publication) and should be read in conjunction with it.

The views we express in this publication may evolve as implementation continues and additional issues are identified. The conclusions we describe in our illustrations are also subject to change as views evolve. Conclusions in seemingly similar situations may differ from those reached in the illustrations due to differences in the underlying facts and circumstances. Please visit our website ey.com/IFRS for our most recent publications on accounting for leases.

2. What is changing from current IFRS?

2.1 Presentation

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*. 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.

2.1.1 Statement of financial position

IFRS 16 requires a lessee to either present in the statement of financial position or disclose in the notes:

(a) Right-of-use assets separately from other assets. If a lessee does not present right-of-use assets separately in the statement of financial position, the lessee:

   (i) Includes right-of-use assets within the same line item as that within which the corresponding underlying assets would be presented if they were owned and

   (ii) Discloses which line items in the statement of financial position include those right-of-use assets

(b) Lease liabilities separately from other liabilities. If the lessee does not present lease liabilities separately in the statement of financial position, the lessee discloses which line items in the statement of financial position include those liabilities[2]

However, right-of-use assets that meet the definition of investment property are presented in the statement of financial position as investment property.[3]

2.1.2 Statement of profit or loss and other comprehensive income

IFRS 16 requires separate presentation of the interest expense on the lease liability and the depreciation charge for the right-of-use asset in the lessee's statement of profit or loss and other comprehensive income. The interest expense on the lease liability is a component of finance costs, which IAS 1 requires to be presented separately in the statement of profit or loss and other comprehensive income.[4]

2.1.3 Statement of cash flows

In the statement of cash flows, a lessee is required to classify cash payments for the principal portion of the lease liability within financing activities. Cash payments for the interest portion of the lease liability are classified applying the requirements in IAS 7 for interest paid. Furthermore, short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability are classified within operating activities.[5]

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[2] IFRS 16.47
[3] IFRS 16.48
[4] IFRS 16.49 and IAS 1.82(b)
[5] IFRS 16.50

2.2 Lessee disclosures

The lessee disclosure requirements in IFRS 16 are enhanced relative to IAS 17. Specifically, in response to significant feedback received, the IASB decided to:

- Include an overall disclosure objective in IFRS 16
- Require a lessee to disclose quantitative information about its ROU assets and expenses and cash flows related to leases
- Require a lessee to disclose any additional information that is necessary to satisfy the overall disclosure objective, and to supplement this requirement with a list of user information needs that any additional disclosures should address[6]

2.2.1 Quantitative information

The first section represents particular items of information that, if material, should be disclosed by lessees to meet the information needs of users of financial statements. These disclosure requirements relate to information that users of financial statements identified as being most useful to their analyses and, consequently, that they would like to have for all material lease portfolios.[7]

The following table provides example changes to lessee disclosures introduced by IFRS 16 as compared to IAS 17:

IFRS 16 disclosures	IAS 17 and other IFRS disclosures	What has changed?
Lease-related expense (i.e., depreciation, interest on lease liabilities, short-term and low-value lease expense, expense related to variable payments not included in the measurement of lease liabilities) (IFRS 16.53 (a)-(e))	General requirements under IAS 16 *Property, Plant and Equipment* (IAS 16.73) and IFRS 7 *Financial Instruments: Disclosures* (IFRS 7.20)	Modified
Income from subleasing right-of-use assets (IFRS 16.53 (f))	Not required under IAS 17	New
Total cash out flows for leases (IFRS 16.53 (g))	Required under IAS 7 (IAS 7.17)	No change
Additions to right-of-use assets (IFRS 16.53 (h))	General requirements under IAS 16 (IAS 16.73)	Modified
Gains or losses arising from sale and leaseback transactions (IFRS 16.53 (i))	Not required under IAS 17	New
Carrying amount of right-of-use assets by	Required under IAS 17 (IAS 17.31)	No change

[6] IFRS16.BC213-214
[7] IFRS16.BC217

IFRS 16 disclosures	IAS 17 and other IFRS disclosures	What has changed?
class of underlying asset (IFRS 16.53 (j))		
Commitments for short-term leases (IFRS 16.55)[8]	Not applicable	New
Maturity analysis of lease liabilities (IFRS 16.58)	General requirements under IFRS 7 (IFRS 7.39 and IFRS 7.B11)	Modified

IFRS 16 requires a lessee to provide these disclosures in a tabular format, unless another format is more appropriate. The amounts disclosed should include costs that a lessee has included in the carrying amount of another asset during the reporting period (such as lease costs capitalised in the cost of inventory or property, plant and equipment).[9]

2.2.2 Additional entity-specific information

Many leases contain more complex features, which can include variable payments, termination options, extension options and residual value guarantees. These features of a lease are often determined on the basis of the individual circumstances of the parties to the contract and, in some cases, are particularly complex or are unique to the particular contract.[10]

With respect to these features, IFRS 16 requires a lessee to disclose any material entity-specific information that is necessary in order to meet the disclosure objective and is not covered elsewhere in the financial statements. IFRS 16 (inclusive of the examples in the supplemental implementation guidance[11]) supplements this requirement with a list of user information needs that any additional disclosures should address.[12]

[8] This disclosure is only required if the portfolio of short-term leases to which it is committed at the end of the reporting period is dissimilar to the portfolio of short-term leases to which the short-term lease expense disclosed applying paragraph 53 (c) relates.
[9] IFRS 16.54
[10] IFRS16.BC224
[11] IFRS 16.IE9
[12] IFRS16.BC225

The following table provides an overview of these user informational needs.

IFRS 16 disclosures	IAS 17 and other disclosure requirements	What has changed?
Nature of the leasing activities (IFRS 16.59 (a))	Required under IAS 17 (IAS 17.31 and IAS 17.35)	No change
Future cash outflows to which the lessee is potentially exposed that are not reflected in the measurement of lease liabilities. This includes exposure arising from:		
▶ Variable lease payments (IFRS 16.59 (b)(i))	Limited IAS 17 disclosure requirements (IAS 17.31 and IAS 17.35)	Modified
▶ Extension and termination options (IFRS 16.59 (b)(ii))		Modified
▶ Residual value guarantees (IFRS 16.59 (b)(iii))		New
▶ Leases not yet commenced to which the lessee is committed (IFRS 16.59 (b)(iv))		New
Restrictions or covenants imposed by leases (IFRS 16.59 (c))	Limited IAS 17 disclosure requirements (IAS 17.31 and IAS 17.35)	Modified
Sale & leaseback transactions (IFRS 16.59 (d))	Required under IAS 17 (IAS 17.65)	Modified

In addition, IFRS 16 refers to the disclosure requirements in other standards when applicable. If right-of-use assets meet the definition of investment property, the lessee applies the disclosure requirements in IAS 40 *Investment Property* and is not required to provide the disclosures in paragraph 53(a), (f), (h) or (j) of IFRS 16 for those right-of-use assets[13]. In addition, a lessee which measures right-of-use assets at revalued amounts applying IAS 16 discloses the information required by paragraph 77 of IAS 16 for those right-of-use assets.[14]

[13] IFRS 16.56
[14] IFRS 16.57

2.2.3 Disclosure requirements under IAS 1

In addition to the disclosure requirements under IFRS 16, an entity is required to disclose: its significant accounting policies comprising the measurement basis (or bases) in preparing the financial statements; the other accounting policies used that are relevant to the understanding of the financial statements; and the judgments that management has made in the process of applying the entity's accounting policies that have the most significant effect on the amounts recognised in the financial statements.[15] An entity is also required to disclose information about the assumptions It makes about the future and other major sources of estimation uncertainty at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities with the next financial year.[16] Please refer to section 4.3 for practical examples of these disclosures.

[15] IAS 1.117 and IAS 1.122
[16] IAS 1.125

3. Presentation in the primary financial statements

3.1 Statement of financial position

3.1.1 Current versus non-current presentation

Unless an entity presents its statement of financial position on a liquidity basis, it will need to present right-of-use assets and lease liabilities as current or non-current in the statement of financial position. IFRS 16 does not provide guidance on making this determination. Rather, entities will need to consider the requirements in IAS 1.

The distinction between current and non-current items depends on the length of the entity's operating cycle. IAS 1 states that the operating cycle of an entity is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. However, when the entity's normal operating cycle is not clearly identifiable, it is assumed to be 12 months.[17] IAS 1 does not provide guidance on how to determine whether an entity's operating cycle is 'clearly identifiable'. For some entities, the time involved in producing goods or providing services may vary significantly between contracts with one customer to another. In such cases, it may be difficult to determine what period of time represents the normal operating cycle. Therefore, management will need to consider all facts and circumstances and use judgement to determine whether it is appropriate to consider that the operating cycle is clearly identifiable, or whether to use the twelve-month default.

Practical examples of disclosures: Play Communications S.A.

Play Communications S.A. early adopted IFRS 16 with an initial application date of 1 January 2016. The entity applied the full retrospective transition method. The amounts disclosed in the extracts are expressed in Polish zloty and presented in millions. The entity has elected to present right-of-use assets separately and lease liabilities are included in short-term and long-term finance liabilities in the statement of financial position.

[17] IAS 1.68

Practical example 3.1:
PLAY COMMUNICATIONS S.A. (2017)

LUXEMBOURG

Statement of Financial Position

	Notes	December 31, 2017	December 31, 2016	December 31, 2015
ASSETS				
Non-current assets				
Property, plant and equipment	3	1,282,347	1,089,437	907,747
Right-of-use assets	4	855,867	745,509	767,924
Intangible assets	5	2,683,857	2,628,786	1,126,772
Assets under construction	6	303,351	540,416	393,536
Contract costs	7	361,002	350,681	309,944
Long-term finance receivables	8	-	341,001	153,441
Other long-term receivables	9	13,835	12,164	11,134
Other long-term finance assets	10	4,268	134,246	19,219
Deferred tax asset	30	-	134,446	184,146
Total non-current assets		**5,504,527**	**5,976,686**	**3,873,863**
Current assets				
Inventories	11	159,279	149,685	212,209
Short-term finance receivables	8	-	274	-
Trade and other receivables	12	1,100,466	1,259,939	876,894
Contract assets	13	1,366,913	997,780	1,000,880
Current income tax receivables		47,529	-	-
Prepaid expenses	14	23,530	21,239	41,771
Cash and cash equivalents	15	628,725	340,994	1,556,801
Total current assets		**3,326,442**	**2,769,911**	**3,688,555**
TOTAL ASSETS		**8,830,969**	**8,746,597**	**7,562,418**
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent				
Share capital	16	128	52	52
Share premium	16	3,673,350	5,644,191	5,644,191
Other reserves	10, 19	28,228	-	-
Retained losses		(3,914,285)	(4,301,631)	(5,013,619)
Total equity		**(212,579)**	**1,342,612**	**630,624**
Non-current liabilities				
Long-term finance liabilities - debt	17	6,752,867	5,176,417	4,996,618
Long-term provisions	18	58,335	47,520	46,472
Long-term retention programs liabilities	19	-	150,064	163,040
Deferred tax liability	30	117,101	314	36
Other non-current liabilities		10,125	10,873	11,379
Total non-current liabilities		**6,938,428**	**5,385,188**	**5,217,545**
Current liabilities				
Short-term finance liabilities - debt	17	585,955	277,150	277,245
Other short-term finance liabilities	10	6,871	-	-
Trade and other payables	20	1,106,528	1,177,581	976,949
Contract liabilities		86,957	99,727	89,885
Current income tax payable		10,258	173,759	61,296
Accruals	21	59,519	54,429	68,539
Short-term provisions	18	78	1,006	996
Short-term retention programs liabilities	19	17,743	17,740	22,294
Deferred income	22	231,211	217,405	217,045
Total current liabilities		**2,105,120**	**2,018,797**	**1,714,249**
TOTAL LIABILITIES AND EQUITY		**8,830,969**	**8,746,597**	**7,562,418**

Practical example 3.1:
PLAY COMMUNICATIONS S.A. (2017) (cont'd)

LUXEMBOURG

Statement of Financial Position

	Right-of-Use: Land	Right-of-Use: Buildings	Right-of-Use: IT equipment	Right-of-Use: Telecommunications network and equipment	Right-of-Use: Motor vehicles	Right-of-Use: Other	Right-of-Use: Total
Cost							
As at January 1, 2017	132,530	1,174,013	82,525	74,056	25,767	718	1,489,609
Additions	39,143	217,493	-	5,980	-	27	262,643
Asset retirement obligation	-	10,145	-	-	-	-	10,145
Transfers and reclassifications	(7,513)	7,513	(17,236)	-	7,483	-	(9,753)
Disposals	(706)	(39,701)	(2,289)	(7,041)	(6,155)	-	(55,892)
As at December 31, 2017	**163,454**	**1,369,463**	**63,000**	**72,995**	**27,095**	**745**	**1,696,752**
Accumulated depreciation							
As at January 1, 2017	44,524	572,474	58,716	54,518	13,203	665	744,100
Charge	10,816	103,270	14,337	9,553	7,437	13	145,426
Charge from asset retirement obligation	-	2,602	-	-	-	-	2,602
Transfers and reclassifications	(377)	377	(17,345)	-	-	-	(17,345)
Disposals	(134)	(20,608)	(2,276)	(4,756)	(6,124)	-	(33,898)
As at December 31, 2017	**54,829**	**658,115**	**53,432**	**59,315**	**14,516**	**678**	**840,885**
Net book value as at December 31, 2017	**108,625**	**711,348**	**9,568**	**13,680**	**12,579**	**67**	**855,867**

The cost relating to variable lease payments that do not depend on an index or a rate amounted to PLN nil for the year ended December 31, 2017. There were no leases with residual value guarantees or leases not yet commenced to which the Group is committed. The expenses relating to leases for which the Group applied the practical expedient described in paragraph 5a of the IFRS 16 (leases with the contract term of less than 12 months) amounted to PLN 10,126 thousand for the year ended December 31, 2017.

Practical example 3.1:
PLAY COMMUNICATIONS S.A. (2017) (cont'd)

LUXEMBOURG

Statement of Financial Position

	Right-of-Use: Land	Right-of-Use: Buildings	Right-of-Use: IT equipment	Right-of-Use: Telecommuni-cations network and equipment	Right-of-Use: Motor vehicles	Right-of-Use: Other	Right-of-Use: Total
Cost							
As at January 1, 2016	113,374	1,104,525	89,116	92,219	26,097	-	1,425,331
Additions	20,460	121,489	-	4,112	-	-	146,061
Asset retirement obligation	-	(88)	-	-	-	-	(88)
Transfers and reclassifications	-	-	4,426	(9,827)	6,735	718	2,052
Disposals	(1,304)	(51,913)	(11,017)	(12,448)	(7,065)	-	(83,747)
As at December 31, 2016	**132,530**	**1,174,013**	**82,525**	**74,056**	**25,767**	**718**	**1,489,609**
Accumulated depreciation							
As at January 1, 2016	35,875	501,646	44,821	61,681	13,384	-	657,407
Charge	9,495	97,270	21,019	10,661	7,164	56	145,665
Charge from asset retirement obligation	-	2,242	-	-	-	-	2,242
Transfers and reclassifications	-	-	3,866	(6,631)	(296)	609	(2,452)
Disposals	(846)	(28,684)	(10,990)	(11,193)	(7,049)	-	(58,762)
As at December 31, 2016	**44,524**	**572,474**	**58,716**	**54,518**	**13,203**	**665**	**744,100**
Net book value as at December 31, 2016	**88,006**	**601,539**	**23,809**	**19,538**	**12,564**	**53**	**745,509**

In the year ended December 31, 2016 the cost relating to variable lease payments that do not depend on an index or a rate amounted to PLN 3,810 thousand.

There were no leases with residual value guarantees or leases not yet commenced to which the Group is committed.

The costs relating to leases for which the Group applied the practical expedient described in paragraph 5a of the IFRS 16 (leases with the contract term of less than 12 months) amounted to PLN 10,128 thousand in the year ended December 31, 2016.

Practical example 3.1:
PLAY COMMUNICATIONS S.A. (2017) (cont'd)

LUXEMBOURG

Statement of Financial Position

	Right-of-Use: Land	Right-of-Use: Buildings	Right-of-Use: IT equipment	Right-of-Use: Telecommuni-cations network and equipment	Right-of-Use: Motor vehicles	Right-of-Use: Other	Right-of-Use: Total
Cost							
As at January 1, 2015	98,159	973,753	63,478	106,064	27,121	-	1,268,575
Additions	15,432	143,641	-	6,976	-	-	166,049
Asset retirement obligation	-	6,224	-	-	-	-	6,224
Transfers and reclassifications	-	(364)	25,668	31	7,770	-	33,105
Disposals	(217)	(18,729)	(30)	(20,852)	(8,794)	-	(48,622)
As at December 31, 2015	**113,374**	**1,104,525**	**89,116**	**92,219**	**26,097**	**-**	**1,425,331**
Accumulated depreciation							
As at January 1, 2015	27,382	418,451	25,359	62,839	15,231	-	549,262
Charge	8,493	94,870	19,038	19,545	6,899	-	148,845
Charge from asset retirement obligation	-	1,923	-	-	-	-	1,923
Transfers and reclassifications	-	(95)	454	-	-	-	359
Disposals	-	(13,503)	(30)	(20,703)	(8,746)	-	(42,982)
As at December 31, 2015	**35,875**	**501,646**	**44,821**	**61,681**	**13,384**	**-**	**657,407**
Net book value as at December 31, 2015	**77,499**	**602,879**	**44,295**	**30,538**	**12,713**	**-**	**767,924**

The cost relating to variable lease payments that do not depend on an index or a rate amounted to PLN 3,175 thousand in the year ended December 31, 2015.

There were no leases with residual value guarantees or leases not yet commenced to which the Group is committed.

The costs relating to leases for which the Group applied the practical expedient described in paragraph 5a of the IFRS 16 (leases with the contract term of less than 12 months) amounted to PLN 11,888 thousand in the year ended December 31, 2015.

Practical example 3.1:
PLAY COMMUNICATIONS S.A. (2017) (cont'd) *LUXEMBOURG*

Statement of Financial Position

	December 31, 2017	December 31, 2016	December 31, 2015
Long-term lease liabilities			
Telecommunications sites	660,308	564,680	536,813
Points of sale	54,257	33,390	35,657
Dark fiber optic cable	6,322	10,581	16,475
Collocation centers	11,797	16,931	20,163
Offices and warehouse	22,173	29,813	33,967
IT equipment and telecommunications equipment	2,723	9,803	15,300
Motor vehicles	4,634	4,437	5,011
	762,214	669,635	663,386
Short-term lease liabilities			
Telecommunications sites	119,386	109,607	108,415
Points of sale	28,932	22,290	24,914
Dark fiber optic cable	7,484	9,162	9,992
Collocation centers	5,785	6,234	5,690
Offices and warehouse	10,705	4,766	7,617
IT equipment and telecommunications equipment	9,616	15,136	16,128
Motor vehicles	4,694	5,884	5,255
	186,602	173,079	178,011
	948,816	842,714	841,397

For future payments payable under leases which are in place at the reporting date, please see Note 2.27.4.

4. Disclosures in the notes to the financial statements

4.1 Quantitative information

Extracts from IFRS 16

53 A lessee shall disclose the following amounts for the reporting period:

(a) depreciation charge for right-of-use assets by class of underlying asset;

(b) interest expense on lease liabilities;

(c) the expense relating to short-term leases accounted for applying paragraph 6. This expense need not include the expense relating to leases with a lease term of one month or less;

(d) the expense relating to leases of low-value assets accounted for applying paragraph 6. This expense shall not include the expense relating to short-term leases of low-value assets included in paragraph 53(c);

(e) the expense relating to variable lease payments not included in the measurement of lease liabilities;

(f) income from subleasing right-of-use assets;

(g) total cash outflow for leases;

(h) additions to right-of-use assets;

(i) gains or losses arising from sale and leaseback transactions; and

(j) the carrying amount of right-of-use assets at the end of the reporting period by class of underlying asset.

54 A lessee shall provide the disclosures specified in paragraph 53 in a tabular format, unless another format is more appropriate. The amounts disclosed shall include costs that a lessee has included in the carrying amount of another asset during the reporting period.

55 A lessee shall disclose the amount of its lease commitments for short-term leases accounted for applying paragraph 6 if the portfolio of short-term leases to which it is committed at the end of the reporting period is dissimilar to the portfolio of short-term leases to which the short-term lease expense disclosed applying paragraph 53(c) relates.

56 If right-of-use assets meet the definition of investment property, a lessee shall apply the disclosure requirements in IAS 40. In that case, a lessee is not required to provide the disclosures in paragraph 53(a), (f), (h) or (j) for those right-of-use assets.

57 If a lessee measures right-of-use assets at revalued amounts applying IAS 16, the lessee shall disclose the information required by paragraph 77 of IAS 16 for those right-of-use assets.

58 A lessee shall disclose a maturity analysis of lease liabilities applying paragraphs 39 and B11 of IFRS 7 *Financial Instruments: Disclosures* separately from the maturity analyses of other financial liabilities.

Practical examples of disclosures: Deutsche Post DHL Group

Deutsche Post DHL Group early adopted IFRS 16 with an initial application date of 1 January 2018. The entity applied the modified retrospective transition method. The amounts disclosed in the extracts are expressed in euros and presented in millions. The entity provided quantitative disclosures in its condensed consolidated interim financial statements as of 31 March 2018 in a tabular format based on the nature of the disclosure item (i.e., asset, equity and liability and income statement).

Practical example 4.1a:
DEUTSCHE POST DHL GROUP (Q1, 2018) *GERMANY*

BASIS OF PREPARATION

1 Basis of accounting

…

Effects of IFRS 16, Leases

…

Leases are shown as follows in the balance sheet as at 31 March 2018 and the income statement for the first quarter of the year:

Leases in the balance sheet

€m	31 March 2018
ASSETS	
Non-current assets	
Right-of-use assets – land and buildings	7,532
Right-of-use assets – aircraft	992
Right-of-use assets – transport equipment	525
Right-of-use assets – technical equipment and machinery	139
Right-of-use assets – IT equipment	3
Right-of-use assets – advance payments	1
Total	**9,192**
EQUITY AND LIABILITIES	
Non-current provisions and liabilities	
Lease liabilities	7,730
Current provisions and liabilities	
Lease liabilities	1,643
Total	**9,373**

Practical example 4.1a: (cont'd)
DEUTSCHE POST DHL GROUP (Q1, 2018)

GERMANY

The right-of-use assets include assets which were recognised as finance lease assets in accordance with IAS 17 until 31 December 2017.

Leases in the income statement

€m

	Q1 2018
Other operating income	
Operating lease income	12
Sublease income	7
Materials expense	
Short-term lease expenses	176
Low-value lease expenses	11
Variable lease payment expenses	10
Other lease expenses (additional costs)	33
Depreciation and impairment losses	
Depreciation of right-of-use assets	437
Impairment losses on right-of-use assets	1
Net finance costs	
Interest expense on lease liabilities	89
Currency translation gains on lease liabilities	12
Currency translation losses on lease liabilities	9

Practical examples of disclosures: ERM Power Limited

ERM Power Limited early adopted IFRS 16 with an initial application date of 1 July 2016. The entity applied the modified retrospective transition method. The amounts disclosed in the extracts are expressed in Australian dollars andin thousands. The entity disclosed the maturity analysis of lease liabilities separately from the maturity analyses of other financial liabilities.

Practical example 4.1b:
ERM POWER LIMITED (2018)

AUSTRALIA

18. LEASE ASSETS AND LIABILITIES

	Note	Consolidated	
Right of use lease assets		**2018 $'000**	2017 $'000
Cost		15,876	17,278
Accumulated depreciation and impairment		(5,352)	(2,897)
Net carrying amount at 30 June 2018		**10,524**	**14,381**
Adoption of AASB 16 Leases		-	14,408
Opening net carrying amount at 1 July		14,381	-
Exchange differences		37	(23)
Additions		39	2,893
Amortisation		(2,943)	(2,897)
Classified as held for sale	31	(990)	-
Closing net carrying amount at 30 June		**10,524**	**14,381**

The Group leases office premises in Brisbane, Sydney, Melbourne, Perth, Newcastle and Houston. Income from the sublease of the Group's office premises for the year ended 30 June 2018 is $431,110 (2017: $385,277).

Practical example 4.1b: (cont'd)

ERM POWER LIMITED (2018) *AUSTRALIA*

Lease liabilities	Consolidated 2018 $'000	2017 $'000
Current		
Lease liabilities	3,681	3,605
Non-current		
Lease liabilities	13,588	18,375
Total lease liabilities	**17,269**	**21,980**

Undiscounted lease payments to be received		
1 year	451	433
2 years	469	451
3 years	488	469
4 years	510	488
5 years	204	510
>5 years	-	204
	2,122	**2,555**

Refer to Note 7 for interest expense on the lease liabilities and the consolidated statement of cash flows for the total cash outflow for the leases.

Recognition and measurement

Leased assets

Leased assets are capitalised at the commencement date of the lease and comprise of the initial lease liability amount, initial direct costs incurred when entering into the lease less any lease incentives received.

On initial adoption of AASB 16 the Group has adjusted the right-of-use assets at the date of initial application by the amount of any provision for onerous leases recognised immediately before the date of initial application. Following initial application, an impairment review is undertaken for any right of use lease asset that shows indicators of impairment and an impairment loss is recognised against any right of use lease assets that is impaired.

Leased liabilities

The lease liability is measured at the present value of the fixed and variable lease payments net of cash lease incentives that are not paid at the balance date. Lease payments are apportioned between the finance charges and reduction of the lease liability using the incremental borrowing rate implicit in the lease to achieve a constant rate of interest on the remaining balance of the liability. Lease payments for buildings exclude service fees for cleaning and other costs.

Lease modifications are accounted for as a new lease with an effective date of the modification.

4.2 Additional entity-specific information

Extracts from IFRS 16

59 In addition to the disclosures required in paragraphs 53–58, a lessee shall disclose additional qualitative and quantitative information about its leasing activities necessary to meet the disclosure objective in paragraph 51 (as described in paragraph B48). This additional information may include, but is not limited to, information that helps users of financial statements to assess:

(a) the nature of the lessee's leasing activities;

(b) future cash outflows to which the lessee is potentially exposed that are not reflected in the measurement of lease liabilities. This includes exposure arising from:

- (i) variable lease payments (as described in paragraph B49);
- (ii) extension options and termination options (as described in paragraph B50);
- (iii) residual value guarantees (as described in paragraph B51); and
- (iv) leases not yet commenced to which the lessee is committed.

(c) restrictions or covenants imposed by leases; and

(d) sale and leaseback transactions (as described in paragraph B52).

60 A lessee that accounts for short-term leases or leases of low-value assets applying paragraph 6 shall disclose that fact.

Practical examples of disclosures: Play Communications S.A.

Play Communications S.A. disclosed information about the types of underlying assets subject to leases, typical lease terms, extension and termination options and variable lease payments based on an index.

Practical example 4.2:
PLAY COMMUNICATIONS S.A. (2017)

LUXEMBOURG

8.20 Real property and leases

Our real estate interests are held on a leasehold basis. We have a lease agreement for our headquarters in Warsaw and in Luxembourg and our base stations and stores which are located all over Poland.

We lease our headquarters in Warsaw, which is located at Taśmowa 7, Marynarska Business Park, with a surface area, including office premises and ancillary space (warehouse, telecommunications purposes and other).

As of December 31, 2017, we also lease approximately 5,800 properties or parts of properties (e.g., roof spaces) for base stations and the development of other telecommunications infrastructure (e.g., telecommunications towers and cabinets). The duration of such lease agreements is typically ten years, and often has an option of automatic extension for five years. The rent of these leases vary according to each location, however in most cases it is payable in zloty and indexed annually, in line with the CSO index of consumer prices. Typically, each party has the right of early termination of such a lease.

As of December 31, 2017, we lease approximately 350 premises for stores, which are located throughout the country. These lease agreements are typically entered into for a two to five-year period, often with an extension option.

Other than minor disputes in the ordinary course of business, there are no current, pending or threatened material claims, disputes or liabilities in relation to our real estate.

Our leasehold interests are not subject to any encumbrances granted in favor of third parties, other than customary rights in favor of the property owner.

4.3 Other disclosures required under IAS 1

IAS 1 provides specific guidance on an entity's disclosure related to:

- Significant accounting policies
- Judgements that management has made in the process of applying the entity's accounting policies
- Assumptions it makes about the future and other major sources of estimation uncertainty at the end of the reporting period

Please refer to the discussion in section 2.2.3 on disclosures required under IAS 1.

Practical examples of disclosures: Play Communications S.A.

Play Communications S.A. disclosed information about the judgements it made in determining the lease term and the discount rate of its leases.

Practical example 4.3:
PLAY COMMUNICATIONS S.A. (2017) *LUXEMBOURG*

2.5 Right-of-use assets and lease liabilities

The Group is a party to lease contracts for, among others:
a) land for telecommunications constructions,
b) buildings:
- office space, warehouses and points of sale space,
- collocation centers,
- other space for other telecommunications equipment,
c) telecommunications network and equipment- dark fiber-optic cables,
d) computers,
e) motor vehicles.

Leases are recognized, measured and presented in line with IFRS 16 'Leases'.

…

The Group recognizes asset retirement obligations mainly in relation to leased land for telecommunications constructions and other space for other telecommunications equipment ("sites") which would need to be restored to previous state when the lease ends. Asset retirement obligations are capitalized as part of the cost of right-of-use assets and depreciated over the asset's estimated useful life. The Group estimates the fair value of asset retirement obligations using number of sites available for use, average site reinstatement cost and the discount rate which equals the interest rate of long-term treasury bonds.

…

2.29.2 Valuation of lease liabilities and right-of-use assets

The application of IFRS 16 requires the Group to make judgments that affect the valuation of the lease liabilities (please see Note 17.3) and the valuation of right-of-use assets (please see Note 4). These include: determining contracts in scope of IFRS 16, determining the contract term and determining the interest rate used for discounting of future cash flows.

The lease term determined by the Group comprises non-cancellable period of lease contracts, periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option. For lease contracts with indefinite term the Group estimates the length of the contract to be equal to the economic useful life of non-current assets located in the leased property and physically connected with it (e.g. economic useful life of foundations of telecommunications towers in case of lease of land on which the tower is located) or determines the length of the contract to be equal to the average or typical market contract term of particular type of lease. The same economic useful life is applied to determine the depreciation rate of right-of-use assets.

The present value of the lease payment is determined using the discount rate representing the rate of interest rate swap applicable for currency of the lease contract and for similar tenor, corrected by the average credit spread of entities with rating similar to the Group's rating, observed in the period when the lease contract commences or is modified.

5. Transition disclosures

The following sections outline IFRS 16's transition disclosure requirements. A lessee is required to apply IFRS 16 to its leases using either the full retrospective approach (section 5.1) or the modified retrospective approach (section 5.2). A lessee applies the elected transition approach consistently to all leases in which it is a lessee. IFRS 16 also requires entities that elect to early adopt the standard to state that fact.

Under either approach, a lessee may elect as a practical expedient not to reassess whether a contract is, or contains, a lease under IFRS 16 at the date of initial application and, instead, apply IFRS 16 to contracts that were previously identified as leases under IAS 17 and IFRIC 4 *Determining Whether an Arrangement Contains a Lease*. Furthermore, the lessee may elect not to apply IFRS 16 to contracts that were not previously identified as containing a lease under IAS 17 and IFRIC 4.[18] Please refer to section 8 of the general publication for further discussion on the IFRS 16 transition requirements.

5.1 Disclosures under the full retrospective approach

Entities electing to adopt the standard using the full retrospective approach must apply the requirements of IFRS 16 to each period presented in the financial statements, in accordance with IAS 8, subject to the specific transition requirement in IFRS 16 for sale and leaseback transactions entered into and amounts previously recognised in respect of business combinations before the date of initial application.[19]

Entities applying the full retrospective approach are required to disclose the following information set out in the table below, but need not repeat it in subsequent periods:

Disclosure requirements		
Qualitative	▶ The title of the IFRS ▶ When applicable, that the change ~in accounting policy is made in accordance with its transitional provisions ▶ The nature of the change in accounting policy ▶ When applicable, a description of the transitional provisions ▶ When applicable, a description of the transitional provisions that might have an effect on future periods ▶ If retrospective application is impracticable for a particular prior period, or for periods before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied	IAS 8.28(a)-(e), (h)

[18] IFRS 16.C3
[19] IFRS 16.C16-19

Disclosure requirements *(cont'd)*		
Qualitative	If an entity chooses to apply the practical expedient in IFRS 16.C3, the entity must disclose that fact. In accordance with IFRS 16.C3, an entity is not required to reassess whether a contract is, or contains, a lease at the date of initial application.	IFRS 16.C4
Quantitative	For the current period and each prior period presented, to the extent practicable, the amount of the adjustment: ▶ For each financial statement line item affected ▶ If IAS 33 *Earnings per Share* applies to the entity, for basic and diluted earnings per share	IAS 8.28(f)
	The amount of the adjustment relating to periods before those presented, to the extent practicable	IAS 8.28(g)

Entities will also need to consider the requirement in IAS 1 to provide a third statement of financial position as at the beginning of the preceding period in addition to the minimum required comparative financial statements. IAS 1 requires the third statement of financial position to be presented if an entity: (a) applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items; and (b) the retrospective application, restatement or reclassification has a material effect on the information in the statement of financial position at the beginning of the preceding period.[20]

Practical examples of disclosures: Nestlé S.A.

Nestlé S.A. early adopted IFRS 16 with an initial application date of 1 January 2018. The entity applied the full retrospective transition method. The amounts disclosed in the extracts are expressed in Swiss francs and presented in millions. The entity elected not to separate lease and non-lease components for leases of vehicles. The entity also elected to apply the practical expedients in IFRS 16 for short-term leases and leases for which the underlying asset (IT equipment) is of low value. In its interim report for the six months ended 30 June 2018, the entity explained the changes in accounting standards including IFRS 16 and disclosed the new accounting policies on leases. These changes were followed by the amount of adjustment, on a line-by-line basis, in the financial statements arising from the effect of adopting IFRS 16, separately from the effect of adopting other new accounting standards. Other disclosure approaches may be acceptable in order to satisfy the requirements under the standards.

[20] IAS 1.40A

Practical example 5.1a:
Nestlé S.A. (2018, HY interim report) *SWITZERLAND*

1. Accounting policies

…

Changes in accounting standards
The Group has applied as from January 1, 2018 the following new accounting standards.

…

IFRS 16 – Leases
This standard replaces IAS 17 and sets out the principles for the recognition, measurement, presentation and disclosure of leases.

The main effect on the Group is that IFRS 16 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for almost all leases and therefore resulted in an increase of Property, plant and equipment and total Financial debt at January 1, 2017.

This standard is mandatory for the accounting period beginning on January 1, 2019 but the Group early adopted it on January 1, 2018 under the full retrospective approach, utilizing the practical expedient to not reassess whether a contract contains a lease.

2017 comparatives have been restated (see Note 12).

…

New accounting policies with effect from January 1, 2018

…

Leases
At inception, the Group assesses whether a contract is or contains a lease. This assessment involves the exercise of judgement about whether it depends on a specified asset, whether the Group obtains substantially all the economic benefits from the use of that asset, and whether the Group has the right to direct the use of the asset.

The Group has elected not to separate lease and non-lease components for leases of vehicles.

The Group recognizes a right of use (ROU) asset and a lease liability at the commencement of the lease. The ROU is initially measured based on the present value of lease payments, plus initial direct costs and the cost of obligations to refurbish the asset, less any incentives received. The ROU is depreciated over the shorter of the lease term or the useful life of the underlying asset. The ROU is subject to testing for impairment if there is an indicator for impairment.

Lease payments generally include fixed payments and variable payments that depend on an index (such as an inflation index). When the lease contains an extension or purchase option that the Group considers reasonably certain to be exercised, the cost of the option is included in the lease payments.

ROU assets are included in the heading Property, plant and equipment, and the lease liability is included in the headings current and non-current Financial debt.

The Group has elected not to recognize ROU assets and liabilities for leases where the total lease term is less than or equal to 12 months, or for leases of low value IT equipment. The payments for such leases are recognized in the income statement on a straight-line basis over the lease term.

…

Practical example 5.1a: (cont'd)

Nestlé S.A. (2018, HY interim report)

SWITZERLAND

12. Restatements of 2017 comparatives and first application of IFRS 9

As described in Note 1 Accounting policies, June 2017 comparatives have been restated following the application of IFRS 15, IFRS 16, IFRIC 23 as well as some other changes in presentation and in accounting policies. Impacts on the income statement, statement of comprehensive income, cash flow statement and balance sheet are presented thereafter.

…

Consolidated income statement for the six months ended June 30, 2017

In millions of CHF

	January–June 2017 as originally published	IFRS 15	IFRS 16	Other	January–June 2017 restated
Sales	**43 023**	**(82)**	**–**	**(15)**	**42 926**
Other revenue	164	1	–	–	165
Cost of goods sold	(21 408)	–	4	(315)	(21 719)
Distribution expenses	(4 014)	79	24	(9)	(3 920)
Marketing and administration expenses	(10 149)	2	14	329	(9 804)
Research and development costs	(818)	–	–	(9)	(827)
Other trading income	59	–	–	–	59
Other trading expenses	(408)	–	–	–	(408)
Trading operating profit	**6 449**	**–**	**42**	**(19)**	**6 472**
Other operating income	180	–	–	–	180
Other operating expenses	(158)	–	–	–	(158)
Operating profit	**6 471**	**–**	**42**	**(19)**	**6 494**
Financial income	73	–	–	–	73
Financial expense	(374)	–	(31)	–	(405)
Profit before taxes, associates and joint ventures	**6 170**	**–**	**11**	**(19)**	**6 162**
Taxes	(1 678)	–	(3)	19	(1 662)
Income from associates and joint ventures	563	–	–	–	563
Profit for the period	**5 055**	**–**	**8**	**–**	**5 063**
of which attributable to non-controlling interests	166	–	–	–	166
of which attributable to shareholders of the parent (Net profit)	4 889	–	8	–	4 897
As percentages of sales					
Trading operating profit	15.0%	+3 bps	+10 bps	–4 bps	15.1%
Profit for the year attributable to shareholders of the parent (Net profit)	11.4%	+2 bps	+2 bps	–	11.4%
Earnings per share (in CHF)					
Basic earnings per share	1.58	–	–	–	1.58
Diluted earnings per share	1.57	–	–	–	1.57

Practical example 5.1a: (cont'd)
Nestlé S.A. (2018, HY interim report)

SWITZERLAND

Statement of comprehensive income for the six months ended June 30, 2017

In millions of CHF

	January–June 2017 as originally published	IFRS 15	IFRS 16	Other	January–June 2017 restated
Profit for the period recognized in the income statement	5 055	–	8	–	5 063
Currency retranslations, net of taxes	(2 623)	3	2	–	(2 618)
Fair value adjustments on available-for-sale financial instruments, net of taxes	16	–	–	–	16
Fair value adjustments on cash flow hedges, net of taxes	(93)	–	–	–	(93)
Share of other comprehensive income of associates and joint ventures	127	–	–	–	127
Items that are or may be reclassified subsequently to the income statement	(2 573)	3	2	–	(2 568)
Remeasurement of defined benefit plans, net of taxes	619	–	–	–	619
Share of other comprehensive income of associates and joint ventures	32	–	–	–	32
Items that will never be reclassified to the income statement	651	–	–	–	651
Other comprehensive income for the period	(1 922)	3	2	–	(1 917)
Total comprehensive income for the period	3 133	3	10	–	3 146
of which attributable to non-controlling interests	101	–	–	–	101
of which attributable to shareholders of the parent	3 032	3	10	–	3 045

Consolidated cash flow statement for the six months ended June 30, 2017

In millions of CHF

	January–June 2017 as originally published	IFRS 15	IFRS 16	Other	January–June 2017 restated
Operating activities					
Operating profit	6 471	–	42	(19)	6 494
Depreciation and amortization	1 590	–	355	–	1 945
Impairment	95	–	25	–	120
Net result on disposal of businesses	(25)	–	–	–	(25)
Other non-cash items of income and expense	(50)	–	–	–	(50)
Cash flow before changes in operating assets and liabilities	8 081	–	422	(19)	8 484
Decrease/(increase) in working capital	(3 384)	–	(8)	–	(3 392)
Variation of other operating assets and liabilities	(83)	–	(30)	–	(113)
Cash generated from operations	4 614	–	384	(19)	4 979
Net cash flows from treasury activities	(255)	–	(36)	46	(245)
Taxes paid	(1 902)	–	–	19	(1 883)
Dividends and interest from associates and joint ventures	533	–	–	–	533
Operating cash flow	2 990	–	348	46	3 384
Investing activities					
Capital expenditure	(1 021)	–	(3)	–	(1 024)
Expenditure on intangible assets	(354)	–	–	–	(354)
Acquisition of businesses	(140)	–	–	–	(140)
Disposal of businesses	19	–	–	–	19
Investments (net of divestments) in associates and joint ventures	(172)	–	–	–	(172)
Inflows/(outflows) from treasury investments	200	–	–	(4)	196
Other investing activities	(112)	–	–	–	(112)
Investing cash flow	(1 580)	–	(3)	(4)	(1 587)
Financing activities					
Dividend paid to shareholders of the parent	(7 126)	–	–	–	(7 126)
Dividends paid to non-controlling interests	(187)	–	–	–	(187)
Acquisition (net of disposal) of non-controlling interests	(527)	–	–	–	(527)
Purchase (net of sale) of treasury shares	(123)	–	–	–	(123)
Inflows from bonds and other non-current financial debt	1 021	–	–	–	1 021
Outflows from bonds and other non-current financial debt	(1 173)	–	(345)	–	(1 518)
Inflows/(outflows) from current financial debt	2 921	–	–	(42)	2 879
Financing cash flow	(5 194)	–	(345)	(42)	(5 581)
Currency retranslations	(252)	–	–	–	(252)
Increase/(decrease) in cash and cash equivalents	(4 036)	–	–	–	(4 036)
Cash and cash equivalents at beginning of year	7 990	–	–	–	7 990
Cash and cash equivalents at end of period	3 954	–	–	–	3 954

Practical example 5.1a: (cont'd)
Nestlé S.A. (2018, HY interim report)

SWITZERLAND

Consolidated balance sheet as at June 30, 2017

In millions of CHF

	June 30, 2017 as originally published	IFRS 15	IFRS 16	Other	June 30, 2017 restated
Assets					
Current assets					
Cash and cash equivalents	3 954	–	–	–	3 954
Short-term investments	1 039	–	–	–	1 039
Inventories	9 474	203	–	(87)	9 590
Trade and other receivables	11 779	(387)	–	3	11 395
Prepayments and accrued income	872	–	(35)	–	837
Derivative assets	277	–	–	–	277
Current income tax assets	905	–	–	(3)	902
Assets held for sale	338	–	–	–	338
Total current assets	**28 638**	**(184)**	**(35)**	**(87)**	**28 332**
Non-current assets					
Property, plant and equipment	25 954	–	2 646	–	28 600
Goodwill	31 410	–	–	–	31 410
Intangible assets	19 685	–	–	–	19 685
Investments in associates and joint ventures	11 104	–	–	–	11 104
Financial assets	5 696	–	–	–	5 696
Employee benefits assets	308	–	–	–	308
Current income tax assets	115	–	–	–	115
Deferred tax assets	1 920	78	30	26	2 054
Total non-current assets	**96 192**	**78**	**2 676**	**26**	**98 972**
Total assets	**124 830**	**(106)**	**2 641**	**(61)**	**127 304**

In millions of CHF

	June 30, 2017 as originally published	IFRS 15	IFRS 16	Other	June 30, 2017 restated
Liabilities and equity					
Current liabilities					
Financial debt	14 108	–	671	–	14 779
Trade and other payables	15 719	7	(13)	–	15 713
Accruals and deferred income	3 678	209	(12)	–	3 875
Provisions	611	–	(9)	(39)	563
Derivative liabilities	1 165	–	–	–	1 165
Current income tax liabilities	1 074	–	–	1 482	2 556
Liabilities directly associated with assets held for sale	7	–	–	–	7
Total current liabilities	**36 362**	**216**	**637**	**1 443**	**38 658**
Non-current liabilities					
Financial debt	10 879	–	2 270	–	13 149
Employee benefits liabilities	7 405	–	–	–	7 405
Provisions	2 519	–	(28)	(1 443)	1 048
Deferred tax liabilities	3 771	(57)	(39)	–	3 675
Other payables	2 084	–	(20)	–	2 064
Total non-current liabilities	**26 658**	**(57)**	**2 183**	**(1 443)**	**27 341**
Total liabilities	**63 020**	**159**	**2 820**	**–**	**65 999**
Equity					
Share capital	311	–	–	–	311
Treasury shares	(1 084)	–	–	–	(1 084)
Translation reserve	(21 386)	3	2	–	(21 381)
Other reserves	1 278	–	–	–	1 278
Retained earnings	81 543	(268)	(181)	(61)	81 033
Total equity attributable to shareholders of the parent	**60 662**	**(265)**	**(179)**	**(61)**	**60 157**
Non-controlling interests	1 148	–	–	–	1 148
Total equity	**61 810**	**(265)**	**(179)**	**(61)**	**61 305**
Total liabilities and equity	**124 830**	**(106)**	**2 641**	**(61)**	**127 304**

Practical examples of disclosures: Air France-KLM Group

The Air France-KLM Group early adopted IFRS 16 with an initial application date of 1 January 2018. The entity applied the full retrospective transition method. The amounts disclosed in the extract are expressed in euros and presented in millions. The entity elected to apply the practical expedients in IFRS 16 for short-term leases and leases for which the underlying asset is of low value. In its interim report for the quarter ended 31 March 2018, the entity explained the changes in accounting standards including IFRS 16 and disclosed the new accounting policies on leases. These were followed by the amount of adjustment, on a line-by-line basis, in the financial statements arising from the effect of adopting IFRS 16, separately from the effect of adopting other new accounting standards. It is observed that other disclosure approaches may be acceptable in order to satisfy the requirements under the standards.

Practical example 5.1b:

AIR FRANCE – KLM GROUP (2018, Q1 interim report)

FRANCE

2. RESTATEMENT OF ACCOUNTS 2017

Since January 1, 2018, the Air France-KLM Group has applied the three following new standards:

…

- IFRS 16 "Leases": the Group has opted for the early adoption of this standard starting January 1, 2018. In accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, it has been applied using the retrospective restatement for each prior reporting period presented, in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The two capitalization exemptions proposed by the standard – lease contracts with a duration of less than 12 months and lease contracts for which the underlying asset has a low value in new which has been defined by the Group to be below €5,000 – have been used.

…

The main changes involved by IFRS 16 are the following:

- Capitalization of aircraft lease contracts fulfilling the capitalization criteria defined by IFRS 16. The lease term corresponds to the non-cancellable period of each contract except in cases where the Group is reasonably certain of exercising renewal options contractually foreseen. For example, this may be the case if important cabin customization has taken place whereas the residual lease term is significantly shorter than the useful life of cabins. The discount rate used to value the lease debt corresponds, for each aircraft, to the implicit rate mainly involved by the contractual elements. Most of the aircraft lease contracts are denominated in USD. As from January 1, 2018 the Group has put in place a natural hedge for its USD revenues by the lease debt in USD in order to limit the volatility of the foreign exchange result involved by the revaluation of its lease debt. Because the standard IFRS 9 cannot be retrospectively applied, the comparative information for 2017 includes foreign exchange impacts linked to the USD debt volatility. This impact is included on the line "other financial income and expenses";
- Capitalization of real-estate lease contracts: Based on its analysis, the Group has identified lease contracts concerning surfaces rented in its hubs, building devoted to the maintenance business, lounges customized in airports other than hubs and office buildings. The lease term corresponds to the not terminable period completed, if necessary, by options of renewal which are reasonably certain. The discount rate used to calculate the lease debt is determined, for each asset, according to the incremental borrowing rate at the commencement of the contract.
- Accounting of the other-assets leases: Based on its analysis, the main lease contracts identified correspond to company car, pool of spare parts and engines. The lease term corresponds to the not terminable period completed, if necessary, by options of renewal which are reasonably certain. The discount rate used to calculate the right-of-use asset and the lease debt is determined, for each asset, according to the incremental borrowing rate at the commencement of the contract.
- Accounting of the maintenance of leased aircraft: Within the framework of IFRS 16 deployment, the Group has reviewed the accounting of the maintenance costs and of the contractual maintenance obligations at redelivery of its leased aircraft. Maintenance on leased aircraft is therefore recorded as follows:
  - A return obligation liability is made on delivery of the aircraft if the maintenance to be realized at redelivery to the lessor does not depend on aircraft use. The counterpart of this liability is recorded in the book value of the right-of-use asset at the origin. It is amortized over the lease term.
  - A return obligation liability for redelivery costs. It corresponds to the potential of flight hours that the potentials must have at the date of aircraft redelivery to the lessor according to the consumption of potentials. It also includes the estimated duration of the lease contract as defined by IFRS 16 and not anymore a statistical probability as previously done. The potential levels are dependent on the contract signed.

Practical example 5.1b: (cont'd)

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- Identification of components corresponding to the potentials of the leased aircraft. They are presented with the right-of-use asset of leased aircraft. The first component will be the counterpart of the return obligation liability recorded at the commencement date of the contract. When maintenance events will occur, costs incurred to reconstitute the potentials will be capitalized. These potentials are amortized over the life of the potential of flight hours. So, for the amortization of right-of-use assets, a component approach is applied, which allows to reflect better the fact than right-of-use assets include components which can have different useful lives.

For the purpose of comparison, consolidated accounts as of March 31, 2017 have been restated. The adjusted balance sheet as of January 1 and December 31, 2017 is also presented.

The impact of these three new standards are summarized hereafter:

Impact on the consolidated income statement

In € millions **Period from January 1 to March 31, 2017**	Published accounts	IFRS 9 impact	IFRS 15 impact	IFRS 16 impact – contracts capitalization	IFRS 16 impact – maintenance of leased aircraft	Restated accounts
Sales	**5,709**	-	**(4)**	-	-	**5,705**
External expenses	(3,508)	-	(15)	49	9	(3,465)
Salaries and related costs	(1,812)	-	-	-	-	(1,812)
Taxes other than income taxes	(45)	-	-	-	-	(45)
Other income and expenses	210	-	-	-	55	265
EBITDAR	**554**	-	**(19)**	**49**	**64**	**648**
Aircraft operating lease costs	(285)	-	-	285	-	-
EBITDA	**269**	-	**(19)**	**334**	**64**	**648**
Amortization, depreciation and provisions	(412)	-	1	(220)	(50)	(681)
Income from current operations	**(143)**	-	**(18)**	**114**	**14**	**(33)**
Income from operating activities	**(142)**	-	**(18)**	**114**	**15**	**(31)**
Net cost of financial debt	(56)	-	-	(84)	-	(140)
Other financial income and expenses	(31)	29	-	59	(11)	46
Income before tax	**(229)**	**29**	**(18)**	**89**	**4**	**(125)**
Income taxes	9	(7)	6	(27)	(2)	(21)
Net income of consolidated companies	**(220)**	**22**	**(12)**	**62**	**2**	**(146)**
Net income	**(216)**	**22**	**(12)**	**62**	**1**	**(143)**
Earning per share (basic and diluted)	(0.74)	0.07	(0.04)	0.21	-	(0.50)

Impact on the consolidated statement of recognized income and expenses

In € millions **Period from January 1 to March 31, 2017**	Published accounts	IFRS 9 impact	IFRS 15 & 16 impact	Restated accounts
Net income for the period	**(216)**	**22**	**51**	**(143)**
Fair value adjustment on available-for-sale securities	9	(9)	-	-
Cash flow hedges	(181)	(8)	-	(189)
Currency translation adjustment	1	-	(1)	1
Deferred tax on items of comprehensive income that will be reclassified to profit or loss	56	3	-	59
Total of other comprehensive income that will be reclassified to profit or loss	**(115)**	**(14)**	**(1)**	**(130)**
Remeasurements of defined benefit pension plans	1,075	-	-	1,075
Fair value of equity instruments revalued through OCI	-	6	-	6
Deferred tax on items of comprehensive income that will not be reclassified to profit or loss	(262)	-	-	(262)
Total of other comprehensive income that will not be reclassified to profit or loss	**813**	**6**	-	**819**
Total of other comprehensive income, after tax	**698**	**(8)**	**(1)**	**689**
Recognized income and expenses	**482**	**14**	**50**	**546**
• **Equity holders of Air France-KLM**	**479**	**14**	**50**	**543**
• Non-controlling interests	3	-	-	3

Practical example 5.1b: (cont'd)

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Impact on the consolidated balance sheet

Only accounts impacted by IFRS 9, IFRS 15 and IFRS 16 are presented hereafter.

In € millions **Balance sheet as of December 31, 2017**	Published accounts	IFRS 9 impact	IFRS 15 impact	IFRS 16 impact – contracts capitalization	IFRS 16 impact – maintenance of leased aircraft	Restated accounts
Asset						
Flight equipment	9,921	32	-	(294)	(25)	9,634
Other property, plant and equipment	1,492	-	-	(74)	-	1,418
Right-of-use assets	-	-	-	4,900	963	5,863
Deferred tax assets	234	(10)	32	164	59	479
Trade receivables	2,136	-	29	-	-	2,165
Other current assets	1,264	(1)	23	(52)	8	1,242
Equity and liabilities						
Return obligation liability and other provisions (current and non-current term)	2,198	-	(109)	-	1,122	3,211
Financial debt (current and non-current)	7,442	(4)	-	(141)	-	7,297
Lease debt (current and non-current)	-	-	-	5,141	-	5,141
Deferred tax liabilities	11	-	(5)	-	-	6
Deferred revenue on ticket sales	2,889	-	128	-	-	3,017
Other current liabilities	3,100	-	146	-	(3)	3,243
Equity	3,015	25	(76)	(356)	(115)	2,493
• Holders of Air France-KLM	3,002	25	(76)	(355)	(115)	2,481
• Non-controlling interests	13	-	-	(1)	-	12

In € millions **Balance sheet as of January 1, 2017**	Published accounts	IFRS 9 impact	IFRS 15 impact	IFRS 16 impact – contracts capitalization	IFRS 16 impact – maintenance of leased aircraft	Restated accounts
Asset						
Flight equipment	9,119	(25)	-	(310)	(25)	8,759
Other property, plant and equipment	1,480	-	-	(80)	-	1,400
Right-of-use assets	-	-	-	4,828	917	5,745
Deferred tax assets	176	5	32	335	63	611
Trade receivables	1,868	-	27	-	-	1,895
Other current assets	1,105	(1)	23	(52)	5	1,080
Equity and liabilities						
Return obligation liability and other provisions (current and non-current term)	2,327	-	(106)	-	1,092	3,313
Financial debt (current and non-current)	8,452	(4)	-	(174)	-	8,274
Lease debt (current and non-current)	-	-	-	5,643	-	5,643
Deferred tax liabilities	(12)	-	(5)	-	-	(17)
Deferred revenue on ticket sales	2,517	-	122	-	-	2,639
Other current liabilities	2,775	-	146	-	(7)	2,914
Equity	1,296	(17)	(75)	(748)	(125)	331
• Holders of Air France-KLM	1,284	(17)	(75)	(747)	(125)	320
• Non-controlling interests	12	-	-	(1)	-	11

Practical example 5.1b: (cont'd)

AIR FRANCE – KLM GROUP (2018, Q1 interim report)

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Impact on the consolidated statement of cash flows

In € millions **Period from January 1 to March 31, 2017**	Published accounts	IFRS 9 impact	IFRS 15 impact	IFRS 16 impact – contracts capitalization	IFRS 16 impact – maintenance of leased aircraft	Restated accounts
Net income	(216)	22	(12)	62	1	(143)
Other items of the financial capacity	443	(22)	(7)	190	63	667
Financial capacity	**227**	-	**(19)**	**252**	**64**	**524**
Change in working capital requirement	661	-	19	-	2	682
Net cash flow from operating activities	**888**	-	-	**252**	**66**	**1,206**
Net cash flow used in investing activities	**(562)**	-	-	-	**(66)**	**(628)**
Net cash flow from financing activities	**(192)**	-	-	**(252)**	-	**(444)**
Effect of exchange rate on cash and cash equivalents and bank overdrafts	(8)	-	-	-	-	(8)
Change in cash and cash equivalents and bank overdrafts	**126**	-	-	-	-	**126**
Cash and cash equivalents and bank overdrafts at beginning of period	3,933	-	-	-	-	3,933
Cash and cash equivalents and bank overdrafts at end of period	4,059	-	-	-	-	4,059

5.2 Disclosures under the modified retrospective approach

When applying the modified retrospective approach, the lessee does not restate comparative figures. Instead, the lessee recognises the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application, e.g., 1 January 2019 for a calendar-year entity. An entity applying the modified retrospective approach is required to make the disclosures set out in the table below:

Disclosure requirements		
Qualitative	▶ The title of the IFRS ▶ When applicable, that the change in accounting policy is made in accordance with its transitional provisions ▶ The nature of the change in accounting policy ▶ When applicable, a description of the transitional provisions ▶ When applicable, the transitional provisions that might have an effect on future periods ▶ If retrospective application is impracticable for a particular prior period, or for periods before those presented, the circumstances that led to the existence of that condition and a description of how, and from when, the change in accounting policy has been applied	IAS 8.28(a)-(e), (h)
Qualitative	An entity is required to disclose the use of any practical expedients in IFRS 16.C10. In accordance with IFRS 16.C10, an entity may use one or more of the following practical expedients when applying IFRS 16 using the modified retrospective application: ▶ A lessee may apply a single discount rate to a portfolio of leases with reasonably similar characteristics. ▶ A lessee may rely on its assessment of whether leases are onerous applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* immediately before the date of initial application as an alternative to performing an impairment review. ▶ A lessee may elect to apply the accounting for short-term leases in IFRS 16 to leases for which the lease term ends within 12 months of the date of initial application.	IFRS 16.C13 IFRS 16.C10

Disclosure requirements (cont'd)		
	▶ A lessee may exclude initial direct costs from the measurement of the ROU asset at the date of initial application. ▶ A lessee may use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.	

Quantitative	The lessee must disclose:
	▶ The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position at the date of initial application
	▶ An explanation of the difference between:
	    ▶ Operating lease commitments disclosed when applying IAS 17 at the end of the annual reporting period immediately preceding the date of initial application, discounted using the incremental borrowing rate at the date of initial application
	    ▶ Lease liabilities recognised in the statement of financial position at the date of initial application
		IFRS 16.C12

Quantitative	The amount of the adjustment relating to periods before those presented, to the extent practicable	IAS 8.28(g)

Practical examples of disclosures: Deutsche Post DHL Group

The Deutsche Post DHL Group early adopted IFRS 16 with an initial application date of 1 January 2018. The entity applied the modified retrospective transition method. It also elected to apply the practical expedient that allows entities to rely on its assessment of whether leases were onerous by applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* immediately before the date of initial application as an alternative to performing an impairment review. The entity also elected to apply the practical expedient for short-term leases to leases for which the lease term ends within 12 months of the date of initial application. The amounts disclosed in the extracts are expressed in euros and presented in millions.

Practical example 5.2a:
Deutsche Post DHL Group (2018, Q1 interim report) *GERMANY*

BASIS OF PREPARATION

1 Basis of accounting

Effects of IFRS 16, Leases

In the context of the transition to IFRS 16, right-of-use assets of €9.1 billion and lease liabilities of €9.2 billion were recognised as at 1 January 2018. The Group transitioned to IFRS 16 in accordance with the modified retrospective approach. The prior-year figures were not adjusted. As part of the initial application of IFRS 16, the Group chooses to apply the relief option, which allows it to adjust the right-of-use asset by the amount of any provision for onerous leases recognised in the balance sheet immediately before the date of initial application. In addition, the Group has decided not to apply the new guidance to leases whose term will end within twelve months of the date of initial application. In such cases, the leases will be accounted for as short-term leases and the lease payments associated with them will be recognised as an expense from short-term leases. The following reconciliation to the opening balance for the lease liabilities as at 1 January 2018 is based upon the operating lease obligations as at 31 December 2017:

...

Practical example 5.2a: (cont'd)
Deutsche Post DHL Group (2018, Q1 interim report) *GERMANY*

Reconciliation

€m

	1 Jan. 2018
Operating lease obligations at 31 December 2017	11,298
Minimum lease payments (notional amount) on finance lease liabilities at 31 December 2017	237
Relief option for short-term leases	–225
Relief option for leases of low-value assets	–27
Lease-type obligations (service components)	2
Other	50
Gross lease liabilities at 1 January 2018	**11,335**
Discounting	–1,919
Lease liabilities at 1 January 2018	**9,416**
Present value of finance lease liabilities at 31 December 2017	–181
Additional lease liabilities as a result of the initial application of IFRS 16 as at 1 January 2018	**9,235**

The lease liabilities were discounted at the borrowing rate as at 1 January 2018. The weighted average discount rate was 3.8%.

Practical examples of disclosures: ProSiebenSat.1 Media SE

ProSiebenSat.1 Media SE early adopted IFRS 16 with an initial application date of 1 January 2018. It applied the modified retrospective transition method and elected to apply the transition practical expedient that permits the entity not to reassess if a contract is, or contains, a lease at the date of initial application. In addition, the entity applies the recognition exemptions for short-term leases and leases for which the underlying asset is of low value. The amounts disclosed in the extracts are expressed in euros and presented in millions.

Practical example 5.2b:
ProSiebenSat.1 Media SE (2018, H1 interim report) *GERMANY*

2 / Changes in reporting standards

Since January 1, 2018, ProSiebenSat.1 Group is applying the following standards, as adopted by the IASB and transposed into European law, for the first time:

- IFRS 9 "Financial Instruments"
- IFRS 15 "Revenue from Contracts with Customers"
- IFRS 16 "Leases"

The effects of the initial application of these provisions on the Consolidated Financial Statements of ProSiebenSat.1 Group are presented below.

IFRS 16 "LEASES"

In January 2016, the IASB published the financial reporting standard IFRS 16 "Leases", which was adopted into European law on November 9, 2017. The standard replaces the existing guidance on leases, including IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC-15 "Operating Leases - Incentives" and SIC-27 "Evaluating the Substance of Transactions in the Legal Form of a Lease".

IFRS 16 stipulates that all leases and the associated contractual rights and obligations should generally be recognized in the lessee's Statement of Financial Position, unless the term is 12 months or less or the lease is for a low-value asset. Thus, the classification required under IAS 17 into operating or finance leases is eliminated for lessees. For each lease, the lessee recognizes a liability for lease obligations incurred in the future. Correspondingly, a right to use the leased asset is capitalized, which is generally equivalent to the present value of the future lease payments plus directly attributable costs and which is amortized over the useful life.

IFRS 16 is mandatorily applicable initially for financial years commencing on or after January 1, 2019. ProSiebenSat.1 Group has exercised the option of early-adopting the standard and has applied IFRS 16 for the first time as of January 1, 2018, using the modified retrospective approach. Initial application at ProSiebenSat.1 Group has affected leases that previously had been classified as operating leases. Short-term leases with a term not exceeding 12 months (and no purchase option) as well as leases where the underlying asset is of low value are not recognized using the option under IFRS 16.5. ProSiebenSat.1 Group is using the option under IFRS 16.15 and recognizes all lease and non-lease components under IFRS 16. Moreover, the Group has applied the relief provisions of IFRS 16.C3(b) and has not reviewed contracts under the definition of a lease in IFRS 16, which were not classified as leases under IAS 17 "Leases" in conjunction with IFRIC 4 "Determining whether an Arrangement contains a Lease".

During the first-time application of IFRS 16 to operating leases, the right to use the leased asset was generally measured at the amount of the lease liability, using the interest rate at the time of the first-time application (IFRS 16.C8(b)(i)). The average interest rate as of January 1, 2018 was approximately 2%. In case of current lease liabilities, the right-of-use was adjusted by the relevant amount under IFRS 16.C10(c)(ii). For the measurement of the right-of-use at the date of first-time application, initial direct costs were not taken into account in accordance with IFRS 16.C10(d). The comparative financial information for the financial year 2017 was not adjusted in the financial year 2018 under IFRS 16.C7.

Practical example 5.2b: (cont'd)
ProSiebenSat.1 Media SE (2018, H1 interim report) *GERMANY*

ProSiebenSat.1 Group has analyzed the impact of the first-time application of IFRS 16 in a Group-wide project, including existing processes, systems, and contracts. The following categories of leases were identified, where as a consequence of the change to IFRS 16 as of January 1, 2018, contracts that previously had been recognized as operating leases, now qualify as leases as defined by the new standard: real estate, technical equipment, vehicles and other leased assets. The first-time application resulted in recording rights-of-use in the amount of EUR 108 million and lease liabilities in the amount of EUR 110 million in the consolidated Statement of Financial Position as of January 1, 2018; the difference in the amount of EUR 2 million between the two items relates to the adjustment of current lease liabilities pursuant to IFRS 16.C10(c)(ii).

The off-balance lease obligations as of December 31, 2017 are reconciled as follows to the recognized lease liabilities as of January 1, 2018:

38 / **RECONCILIATION OF LEASE LIABILITIES** in EUR m

	01/01/2018
Off-balance lease obligation as of 12/31/2017	**107**
Current leases with a lease term of 12 months or less (short-term leases)	−1
Leases of low-value-assets (low-value leases)	0
Variable lease payments	−14
Other	−1
Operating lease obligations as of 01/01/2018 (gross, without discounting)	**90**
Operating lease obligations as of 01/01/2018 (net, discounted)	**85**
Reasonably certain extension or termination options	24
Residual value guarantees	0
Non-lease-components	1
Lease liabilities due to initial application of IFRS 16 as of 01/01/2018	**110**
Lease liabilities from finance leases as of 01/01/2018	65
Total lease liabilities as of 01/01/2018	**175**

...

Practical examples of disclosures: Uniper SE

Uniper SE early adopted IFRS 16 with an initial application date of 1 January 2018. It applied the modified retrospective transition method and elected to apply the practical expedient that permits the entity not to reassess whether a contract is, or contains, a lease at the date of initial application. In addition, the entity applies the recognition exemptions for short-term leases and leases for which the underlying asset is of low value. The amounts disclosed in the extracts are expressed in euros and presented in millions.

Practical example 5.2c:
Uniper SE (2018, H1 interim report) *GERMANY*

(1) Summary of Significant Accounting Policies

Leasing

In line with the option under IFRS 16 in connection with IFRS 15, IFRS 16 is being applied early effective January 1, 2018, using the modified retrospective method. Applying this method, the comparative information for the 2017 fiscal year has not been restated. The previous determination pursuant to IAS 17 and IFRIC 4 of whether a contract is a lease has been maintained for existing contracts. In the context of initial application, Uniper has exercised the option not to apply the new recognition requirements to short-term leases and to leases of low-value assets.

A lease arrangement is established by a contract (the lease) that conveys to the user (the lessee) the right to control the use of an identified asset for a period of time in exchange for consideration. A portion of an asset is an identified asset if it is physically distinct. If it is not physically distinct, the portion of an asset is not an identified asset, unless the lessee has the right to use substantially all of the capacity of the asset during the lease term.

If a contract contains more than one lease component, or a combination of leasing and selling transactions, the consideration is allocated to each of the lease and non-lease components on conclusion and on each subsequent remeasurement of the contract on the basis of their relative stand-alone selling prices.

Practical example 5.2c: (cont'd)
Uniper SE (2018, H1 interim report)

GERMANY

Uniper as Lessee

For leases with terms not exceeding twelve months and for leases of low-value assets, Uniper has exercised the optional application exemptions. The lease payments under these contracts are generally recognized on a straight-line basis over the lease term as other operating expenses.

In all other leases in which Uniper acts as the lessee, the present value of future lease payments is recognized as a financial liability. Lease payments are split into principal and interest portions, using the effective interest method.

Correspondingly, the right-of-use asset is recognized within property plant and equipment at the present value of the liability at the commencement date of the lease, adding any directly attributable costs. Payments made before the commencement date and incentives received from the lessor are also included in the carrying amount of the right-of-use asset. The right-of-use asset is depreciated on a straight-line basis over the lease term or, if it is shorter, over the useful life of the leased asset. The provisions of IAS 36 concerning the determination and recognition of impairments of assets also apply to right-of-use assets.

If the expected lease payments change as a result of index-linked consideration, for example, or on the basis of new assessments of contractual options, the liability is remeasured. The adjustment to the new carrying amount generally takes place in equity, with a corresponding adjustment to the right-of-use asset.

The following table presents the reconciliation of lease liabilities as of January 1, 2018:

Reconciliation of Lease Liabilities pursuant to IFRS 16

€ in millions	
Minimum lease payments under operating leases as of December 31, 2017	**456**
Recognition exemption	-65
for short-term leases	*-62*
for leases of low-value assets	*-3*
Effect from discounting at the incremental borrowing rate as of January 1, 2018	-67
Liabilities additionally recognized based on the initial application of IFRS 16 as of January 1, 2018	**324**
Liabilities from finance leases as of December 31, 2017	452
Liabilities from leases as of January 1, 2018	**776**

The weighted-average incremental borrowing rate for lease liabilities initially recognized as of January 1, 2018, was 1.6% p.a.

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5.3 Transition disclosures in interim financial statements in the year of adoption

IAS 34 *Interim Financial Reporting* requires an entity to disclose changes in accounting policies, including the effect on prior years that are included in the condensed interim financial statements. Furthermore, IAS 34.16A(a) requires that, in the event of a change in accounting policy, an entity discloses "a description of the nature and effect of the change". These may consist of many of the disclosure requirements illustrated in sections 5.1 and 5.2, including both qualitative disclosures (such as those on the nature of the change, the transition approach adopted and practical expedients elected, if any) and quantitative disclosures (such as the effects on past periods or the reconciliation of the operating lease commitments and the opening balance of lease liability when the full or modified retrospective approach is adopted).

Whilst in many cases, complying with the requirements in IAS 8 may be appropriate, in light of these requirements and depending on the entity-specific facts and circumstances, higher-level transition disclosures may be sufficient in condensed interim financial statements. However, several securities regulators have indicated that preparers should include progressively more detailed information about the impact of new standards, as their effective dates draw nearer.

Please refer to practical examples included in sections 5.1 and 5.2 above as they are extracted from interim financial information.

Appendix A: Extracts from EY's IFRS Disclosure Checklist

IFRS 16 *Leases*

Reference	Requirement	Disclosure made: Yes	No	N/A
	IFRS 16 Leases was issued in January 2016. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted for entities that also apply IFRS 15.			
	Transition			
IAS 40.84B	An entity applying IFRS 16 and its related amendments to IAS 40 for the first time must apply the transition requirements in IFRS 16 Appendix C to its investment property held as a right-of-use asset.			
IFRS 16.C1	If the entity applies IFRS 16 in its annual IFRS financial statements for a period beginning before 1 January 2019, does it disclose that fact	☐	☐	☐
IFRS 16.C4	If the entity applies the practical expedient in IFRS 16.C3, does it disclose that fact	☐	☐	☐
IFRS 16.C3	As a practical expedient, an entity is not required to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, the entity is permitted: a. To apply IFRS 16 to contracts that were previously identified as leases under IAS 17 and IFRIC 4. The entity must apply the transition requirements in C5-C18 to those leases			
IFRS 16.C2	b. Not to apply IFRS 16 to contracts that were not previously identified as containing a lease under IAS 17 and IFRIC 4 For the purposes of the requirements in IFRS 16.C1-C19, the date of initial application is the beginning of the annual reporting period in which an entity first applies IFRS 16.			
IFRS 16.C12 *IFRS 16.C5(b)* *IAS 8.28*	If the entity (a lessee) elects to apply IFRS 16 in accordance with paragraph C5(b), does it disclose information about initial application required by IAS 8.28, except for the information specified in IAS 8.28(f)	☐	☐	☐
IFRS 16.C12	Instead of the information specified in IAS 8.28(f), does the entity (a lessee) disclose:			
	a. The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position at the date of initial application	☐	☐	☐
	b. An explanation of any difference between: ▶ Operating lease commitments disclosed under IAS 17 at the end of the annual reporting period immediately preceding the date of initial application, discounted using the incremental borrowing rate at the date of initial application as described in IFRS 16.C8(a); and ▶ Lease liabilities recognised in the statement of financial position at the date of initial application	☐	☐	☐
IFRS 16.C10	If the entity (a lessee) elects not to apply the requirements in IFRS 16.C8 to leases for which the lease term ends within 12 months of the date of initial application, does it include the cost associated with those leases within the disclosure of short-term lease expense in the annual reporting period that includes the date of initial application	☐	☐	☐
IFRS 16.C13	If the entity (a lessee) uses one or more of the specified practical expedients in IFRS 16.C10, does it disclose that fact	☐	☐	☐
	Presentation and disclosures by lessees			
	Presentation			
IFRS 16.47(a)	Does the entity present in the statement of financial position (or disclose in the notes) right-of-use assets separately from other assets	☐	☐	☐
IFRS 16.48	The requirement in IFRS 16.47(a) does not apply to right-of-use assets that meet the definition of investment property, which must be presented in the statement of financial position as investment property.			
IFRS 16.47(a)	If the entity does not present right-of-use assets separately in the statement of financial position, does it:			
	a. Include right-of-use assets within the same line item as that within which the corresponding underlying assets would be presented if they were owned	☐	☐	☐
	b. Disclose which line items in the statement of financial position include those right-of-use assets	☐	☐	☐

Reference	Requirement	Disclosure made: Yes	No	N/A
IFRS 16.47(b)	Does the entity: ▶ Present lease liabilities separately from other liabilities in the statement of financial position Or ▶ If not, disclose which line items in the statement of financial position include those liabilities	☐	☐	☐
IFRS 16.49	In the statement of profit or loss and other comprehensive income, does the entity present interest expense on the lease liability separately from the depreciation charge for the right-of-use asset	☐	☐	☐
IFRS 16.49	Interest expense on the lease liability is a component of finance costs, which IAS 1.82(b) requires to be presented separately in the statement of profit or loss and other comprehensive income.			
IFRS 16.50	In the statement of cash flows, does the entity classify:			
	a. Cash payments for the principal portion of the lease liability within financing activities	☐	☐	☐
	b. Cash payments for the interest portion of the lease liability applying the requirements in IAS 7 for interest paid	☐	☐	☐
	c. Short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability within operating activities	☐	☐	☐
	Disclosures			
IFRS 16.51	The objective of the disclosures is for lessees to disclose information in the notes that, together with the information provided in the statement of financial position, statement of profit or loss and statement of cash flows, gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the lessee. IFRS 16.52-60 specifies requirements on how to meet this objective.			
IFRS 16.52	A lessee need not duplicate information that is already presented elsewhere in the financial statements, provided that the information is incorporated by cross-reference in the single note or separate section about leases.			
IFRS 16.52	Does the entity disclose (or incorporate by way of cross-reference) information about its leases, for which it is a lessee, in a single note or separate section in its financial statements	☐	☐	☐
IFRS 16.53	Does the entity disclose the following amounts for the reporting period:			
	a. Depreciation charge for right-of-use assets by class of underlying asset	☐	☐	☐
	b. Interest expense on lease liabilities	☐	☐	☐
	c. The expense relating to short-term leases accounted for under IFRS 16.6	☐	☐	☐
	This expense need not include the expense relating to leases with a lease term of one month or less.			
IFRS 16.6	d. The expense relating to leases of low-value assets accounted for under IFRS 16.6	☐	☐	☐
	This expense must not include the expense relating to short-term leases of low-value assets included in IFRS 16.53(c).			
	e. The expense relating to variable lease payments not included in the measurement of lease liabilities	☐	☐	☐
	f. Income from subleasing right-of-use assets	☐	☐	☐
	g. Total cash outflow for leases	☐	☐	☐
	h. Additions to right-of-use assets	☐	☐	☐
	i. Gains or losses arising from sale and leaseback transactions	☐	☐	☐
	j. The carrying amount of right-of-use assets at the end of the reporting period by class of underlying asset	☐	☐	☐
IFRS 16.54	An entity must provide the disclosures specified in IFRS 16.53 in a tabular format, unless another format is more appropriate. The amounts disclosed must include costs that a lessee has included in the carrying amount of another asset during the reporting period.			

		Disclosure made		
		Yes	No	N/A
IFRS 16.55 *IFRS 16.6*	If the portfolio of short-term leases to which the entity is committed at the end of the reporting period is dissimilar to the portfolio of short-term leases to which the short-term lease expense disclosed applying IFRS 16.53(c) relates, does the entity disclose the amount of its lease commitments for short-term leases that are accounted for under IFRS 16.6	☐	☐	☐
IFRS 16.56	If right-of-use assets meet the definition of investment property, does the entity apply the disclosure requirements in IAS 40	☐	☐	☐
	In that case, an entity is not required to provide the disclosures in IFRS 16.53(a), (f), (h) or (j) for those right-of-use assets.			
IFRS 16.57 *IAS 16.77*	If the entity measures right-of-use assets at revalued amounts under IAS 16, does the entity disclose the information required by IAS 16.77 for those right-of-use assets	☐	☐	☐
IFRS 16.58 *IFRS 7.39* *IFRS 7.B11*	Does the entity disclose a maturity analysis of lease liabilities under IFRS 7.39 and IFRS 7.B11 separately from the maturity analyses of other financial liabilities	☐	☐	☐
IFRS 16.59 *IFRS 16.B48*	In addition to the disclosures required in IFRS 16.53–58, does the entity disclose additional qualitative and quantitative information about its leasing activities necessary to meet the disclosure objective in IFRS 16.51 (as described in IFRS 16.B48). This additional information may include, but is not limited to, information that helps users of financial statements to assess:			
	a. The nature of the lessee's leasing activities	☐	☐	☐
	b. Future cash outflows to which the lessee is potentially exposed that are not reflected in the measurement of lease liabilities. This includes exposure arising from:			
IFRS 16.B49	► Variable lease payments	☐	☐	☐
IFRS 16.B50	► Extension options and termination options	☐	☐	☐
IFRS 16.B51	► Residual value guarantees	☐	☐	☐
	► Leases not yet commenced to which the lessee is committed	☐	☐	☐
	c. Restrictions or covenants imposed by leases	☐	☐	☐
IFRS 16.B52	d. Sale and leaseback transactions	☐	☐	☐
IFRS 16.B48-52	In determining whether additional information about leasing activities is necessary to meet the disclosure objective in IFRS 16.51, the entity must consider: a. Whether that information is relevant to users of financial statements. The entity (lessee) must provide the additional information specified in IFRS 16.59 only if that information is expected to be relevant to users of financial statements. b. Whether that information is apparent from information either presented in the primary financial statements or disclosed in the notes. The entity (lessee) need not duplicate information that is already presented elsewhere in the financial statements IFRS 16.B49-52 provides examples of additional information that could help users of financial statements for variable lease payments, extension options and termination options, residual value guarantees and sale and leaseback transactions, respectively.			
IFRS 16.60	If the entity accounts for short-term leases or leases of low-value assets by applying IFRS 16.6, does it disclose that fact	☐	☐	☐

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