Applying IFRS

Presentation and disclosure requirements of IFRS 16 *Leases*

December 2019

Building a better working world

Contents

What you need to know

- IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019.
- 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 legacy lease accounting requirements in IAS 17 *Leases*, were criticised for failing to meet the needs of users of the financial statements, particularly because IAS 17 did 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 did not have specific requirements for the presentation of right-of-use (ROU) assets and lease liabilities in the financial statements. This means that lessees 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 of 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.

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

3. Presentation in the primary financial statements

3.1 Presentation requirements in IFRS 16

The presentation requirements as specified in IFRS 16 are discussed in Section 2.1.

3.2 Current vs non-current presentation requirements in IAS 1

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. (2018)

LUXEMBOURG

Consolidated statement of financial position

	Notes	December 31, 2018	December 31, 2017	December 31, 2016
ASSETS				
Non-current assets				
Property, plant and equipment	13	1,511,091	1,282,347	1,089,437
Right-of-use assets	14	868,125	855,867	745,509
Intangible assets	15	2,513,429	2,683,857	2,628,786
Assets under construction	16	438,342	303,351	540,416
Contract costs	17	372,653	361,002	350,681
Long-term finance receivables	18	-	-	341,001
Other long-term receivables	19	14,362	13,835	12,164
Other long-term finance assets	20	-	4,268	134,246
Deferred tax asset	11	-	-	134,446
Total non-current assets		**5,718,002**	**5,504,527**	**5,976,686**
Current assets				
Inventories	21	169,494	159,279	149,685
Short-term finance receivables	18	-	-	274
Trade and other receivables	22	863,913	1,100,466	1,259,939
Contract assets	23	1,392,630	1,366,913	997,780
Current income tax receivables		654	47,529	-
Prepaid expenses	24	22,155	23,530	21,239
Cash and cash equivalents	25	353,690	628,725	340,994
Total current assets		**2,802,536**	**3,326,442**	**2,769,911**
TOTAL ASSETS		**8,520,538**	**8,830,969**	**8,746,597**
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent				
Share capital	26	128	128	52
Share premium		3,673,350	3,673,350	5,644,191
Other reserves	20, 29	29,509	28,228	-
Retained losses		(3,903,525)	(3,914,285)	(4,301,631)
Total equity		**(200,538)**	**(212,579)**	**1,342,612**
Non-current liabilities				
Long-term finance liabilities - debt	27	6,250,554	6,752,867	5,176,417
Other long-term finance liabilities	20	3,858	-	-
Long-term provisions	28	49,079	58,335	47,520
Long-term incentive and retention programs liabilities	29	-	-	150,064
Deferred tax liability	11	130,455	117,101	314
Other non-current liabilities		9,774	10,125	10,873
Total non-current liabilities		**6,443,720**	**6,938,428**	**5,385,188**
Current liabilities				
Short-term finance liabilities - debt	27	755,776	585,955	277,150
Other short-term finance liabilities	20	8,654	6,871	-
Trade and other payables	30	1,027,813	1,106,528	1,177,581
Contract liabilities		93,118	86,957	99,727
Current income tax payable		93,145	10,258	173,759
Accruals	31	55,640	59,519	54,429
Short-term provisions	28	3,435	78	1,006
Short-term incentive and retention programs liabilities	29	-	17,743	17,740
Deferred income	32	239,775	231,211	217,405
Total current liabilities		**2,277,356**	**2,105,120**	**2,018,797**
TOTAL LIABILITIES AND EQUITY		**8,520,538**	**8,830,969**	**8,746,597**

Practical example 3.1:
PLAY COMMUNICATIONS S.A. (2018) (cont'd)

LUXEMBOURG

14. Right-of-use assets

	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, 2018	163,454	1,369,463	63,000	72,995	27,095	745	1,696,752
Increases	61,414	154,948	-	13,840	-	-	230,202
Asset retirement obligation	-	(7,278)	-	-	-	-	(7,278)
Transfers and reclassifications	-	-	(38,379)	(24,285)	3,505	(718)	(59,877)
Decreases	(2,385)	(77,069)	(1,562)	(29,924)	(6,568)	-	(117,508)
As at December 31, 2018	**222,483**	**1,440,064**	**23,059**	**32,626**	**24,032**	**27**	**1,742,291**
Accumulated depreciation							
As at January 1, 2018	54,829	658,115	53,432	59,315	14,516	678	840,885
Charge	14,846	120,500	9,608	8,625	7,605	5	161,189
Charge from asset retirement obligation	-	1,632	-	-	-	-	1,632
Transfers and reclassifications	-	-	(45,725)	(24,285)	(3,170)	(676)	(73,856)
Decreases	(185)	(18,936)	(1,560)	(28,454)	(6,549)	-	(55,684)
As at December 31, 2018	**69,490**	**761,311**	**15,755**	**15,201**	**12,402**	**7**	**874,166**
Net book value as at December 31, 2018	**152,993**	**678,753**	**7,304**	**17,425**	**11,630**	**20**	**868,125**

The decreases in gross book value of Right-of-Use assets: Land and Buildings recorded during year ended December 31, 2018 result mainly from reassessment of estimation of lease term. For more details see Note 2.5.2. The transfers and reclassifications represent mainly assets that had been previously used under lease agreements and were purchased by the Group at the end of the lease term, now used as own property, plant and equipment.

The cost relating to variable lease payments that do not depend on an index or a rate amounted to PLN 1 thousand for the year ended December 31, 2018. 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 10,291 thousand for the year ended December 31, 2018.

Practical example 3.1:
PLAY COMMUNICATIONS S.A. (2018) (cont'd)

LUXEMBOURG

	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
Increases	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)
Decreases	(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)
Decreases	(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**

In the year ended December 31, 2017 the cost relating to variable lease payments that do not depend on an index or a rate amounted to PLN nil.

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 10,126 thousand in the year ended December 31, 2017.

Practical example 3.1:
PLAY COMMUNICATIONS S.A. (2018) (cont'd)

LUXEMBOURG

	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, 2016	113,374	1,104,525	89,116	92,219	26,097	-	1,425,331
Increases	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
Decreases	(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)
Decreases	(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 the year ended December 31, 2016.

Practical example 3.1:
PLAY COMMUNICATIONS S.A. (2018) (cont'd)

LUXEMBOURG

27.3 Lease liabilities

	December 31, 2018	December 31, 2017	December 31, 2016
Long-term lease liabilities			
Telecommunications sites	740,756	660,308	564,680
Points of sale	47,813	54,257	33,390
Dark fiber optic cable	12,366	6,322	10,581
Collocation centers	9,969	11,797	16,931
Offices and warehouse	11,533	22,173	29,813
IT equipment and telecommunications equipment	2,524	2,723	9,803
Motor vehicles	4,648	4,634	4,437
	829,609	**762,214**	**669,635**
Short-term lease liabilities			
Telecommunications sites	95,020	119,386	109,607
Points of sale	26,835	28,932	22,290
Dark fiber optic cable	6,821	7,484	9,162
Collocation centers	5,910	5,785	6,234
Offices and warehouse	11,233	10,705	4,766
IT equipment and telecommunications equipment	4,331	9,616	15,136
Motor vehicles	5,437	4,694	5,884
	155,587	**186,602**	**173,079**
	985,196	**948,816**	**842,714**

For future payments payable under leases which are in place at the reporting date, please see Note 3.4.

Practical examples of disclosures: AGL Energy Limited

AGL Energy Limited early adopted IFRS 16 with an initial application date of 1 July 2018. The entity applied the full retrospective transition method. The amounts disclosed in the extracts are expressed in Australian dollars and presented in millions. The entity has elected to present right-of-use assets as part of property, plant and equipment and lease liabilities are included in short-term and long-term borrowings in the statement of financial position.

Practical example 3.2:
AGL ENERGY LIMITED (2019)

AUSTRALIA

Consolidated Statement of Financial Position

As at 30 June 2019

	Note	2019 $m	Restated 2018 $m[1]
Current assets			
Cash and cash equivalents	35	**115**	463
Trade and other receivables	9	**1,703**	1,775
Inventories	10	**388**	370
Current tax assets	7	**89**	147
Other financial assets	11	**798**	600
Other assets	12	**303**	261
		3,396	3,616
Assets classified as held for sale	16	**-**	74
Total current assets		**3,396**	3,690
Non-current assets			
Inventories	10	**57**	10
Other financial assets	11	**590**	448
Investments in associates and joint ventures	13	**150**	100
Property, plant and equipment	14	**6,588**	6,757
Intangible assets	15	**3,740**	3,271
Deferred tax assets	7	**261**	280
Other assets	12	**39**	77
Total non-current assets		**11,425**	10,943
Total assets		**14,821**	14,633
Current liabilities			
Trade and other payables	17	**1,556**	1,579
Borrowings	18	**102**	34
Provisions	19	**225**	233
Current tax liabilities	7	**27**	81
Other financial liabilities	20	**632**	394
Other liabilities	21	**4**	2
Total current liabilities		**2,546**	2,323
Non-current liabilities			
Borrowings	18	**2,748**	2,929
Provisions	19	**481**	509
Deferred tax liabilities	7	**97**	-
Other financial liabilities	20	**282**	432
Other liabilities	21	**229**	139
Total non-current liabilities		**3,837**	4,009
Total liabilities		**6,383**	6,332
Net assets		**8,438**	8,301
Equity			
Issued capital	22	**6,223**	6,223
Reserves		**(33)**	(102)
Retained earnings		**2,248**	2,180
Total equity attributable to owners of AGL Energy Limited		**8,438**	8,301

1. Comparatives have been restated for the adoption of AASB 9 Financial Instruments and AASB 16 Leases. Refer to Note 38(c).

The Consolidated Statement of Financial Position should be read in conjunction with the notes to the financial statements.

Practical example 3.2: AGL ENERGY LIMITED (2019) (cont'd)

AUSTRALIA

14. Property, plant and equipment

2019	Plant and equipment $m	Right-of-use plant and equipment $m	Other $m	Right-of-use other $m	Total $m
Balance at 1 July 2018, net of accumulated depreciation and impairment	6,463	6	94	194	6,757
Reclassified to intangible assets	(450)	-	-	-	(450)
Additions	756	-	-	17	773
Disposals	(15)	-	-	-	(15)
Depreciation expense	(459)	(1)	(2)	(15)	(477)
Balance at 30 June 2019, net of accumulated depreciation and impairment	6,295	5	92	196	6,588
Balance at 1 July 2018					
Cost (gross carrying amount)	8,895	11	109	261	9,276
Accumulated depreciation and impairment	(2,432)	(5)	(15)	(67)	(2,519)
Net carrying amount	6,463	6	94	194	6,757
Balance at 30 June 2019					
Cost (gross carrying amount)	8,672	11	109	278	9,070
Accumulated depreciation and impairment	(2,377)	(6)	(17)	(82)	(2,482)
Net carrying amount	6,295	5	92	196	6,588
Restated 2018[1]					
Balance at 1 July 2017, net of accumulated depreciation and impairment (restated)	6,220	7	96	205	6,528
Additions	783	-	-	1	784
Disposals	(4)	-	-	-	(4)
Reclassified as held for sale	(8)	-	-	-	(8)
Depreciation expense	(528)	(1)	(2)	(12)	(543)
Balance at 30 June 2018, net of accumulated depreciation and impairment	6,463	6	94	194	6,757

1. Comparatives have been restated for the adoption of AASB 16 Leases. Refer to Note 38(c).

Balance at 1 July 2017					
Cost (gross carrying amount)	8,426	11	144	260	8,841
Accumulated depreciation and impairment	(2,206)	(4)	(48)	(55)	(2,313)
Net carrying amount	6,220	7	96	205	6,528
Balance at 30 June 2018					
Cost (gross carrying amount)	8,895	11	109	261	9,276
Accumulated depreciation and impairment	(2,432)	(5)	(15)	(67)	(2,519)
Net carrying amount	6,463	6	94	194	6,757

Other

Includes land, buildings and leasehold improvements.

Property, plant and equipment under construction

The net carrying amount of property, plant and equipment disclosed above includes expenditure recognised in relation to plant and equipment which is in the course of construction of $793 million (2018: $684 million).

Software

During the year, $450 million of software was reclassified to intangible assets.

Practical examples of disclosures: Panalpina World Transport (Holding) Ltd.

Panalpina World Transport (Holding) Ltd. early adopted IFRS 16 with an initial application date of 1 January 2018. The entity applied the modified retrospective transition method and thus prior comparatives were not restated. The amounts disclosed in the extracts are expressed in Swiss francs and presented in thousands. The entity has elected to present right-of-use assets and lease liabilities separately in the statement of financial position. Depreciation of the right-of-use assets is presented separately in the income statement. The cash outflows related to the principal portion of the lease liability and the related interest are also presented separately within financing activities in the statement of cash flows.

Practical example 3.3:

PANALPINA WORLD TRANSPORT (HOLDING) (2018) *SWITZERLAND*

Consolidated statement of financial position

as of December 31, 2018 and 2017

In thousand CHF	Notes	2018	2017
Assets			
Non-current assets			
Property, plant and equipment	12	99,648	96,733
Right-of-use of leased assets	13	314,921	0
Intangible assets	14	119,097	88,452
Investments and other financial assets	15	31,386	31,042
Post-employment benefit assets	23	9,454	19,553
Deferred income tax assets	10	67,843	63,223
Total non-current assets		642,348	299,003
Current assets			
Trade receivables	16	1,063,271	1,003,537
Contract Assets (previously shown under "Unbilled forwarding services")	4	137,344	93,476
Other receivables and other current assets	17	113,848	128,805
Derivative financial instruments	18	4,447	3,360
Cash and cash equivalents	19	286,970	310,850
Assets classified as held for sale	12	6,065	0
Total current assets		1,611,944	1,540,028
Total assets		2,254,293	1,839,031
Equity and liabilities			
Equity			
Share capital	20	2,375	2,375
Treasury shares	20	(707)	(1,531)
Retained earnings and reserves		563,851	607,174
Total equity attributable to owners of the parent		565,519	608,018
Non-controlling interests	21	5,641	6,280
Total equity		571,160	614,299
Non-current liabilities			
Borrowings	22	154,053	3,221
Non-current lease liabilities	13	216,655	0
Non-current provisions	24	32,519	36,002
Non-current other liabilities	24	64,404	48,874
Post-employment benefit liabilities	23	54,118	59,317
Deferred income tax liabilities	10	16,116	10,396
Total non-current liabilities		537,865	157,810
Current liabilities			
Trade payables		453,323	491,954
Contract liabilities	4	41,527	0
Other payables and accruals		142,824	152,770
Accrued cost of services		289,949	304,692
Borrowings	22	1,905	2,643
Current lease liabilities	13	102,501	0
Derivative financial instruments	18	1,398	1,185
Current provisions	24	19,294	22,000
Current other liabilities	24	77,292	74,547
Current income tax liabilities		15,254	17,131
Total current liabilities		1,145,268	1,066,922
Total liabilities		1,683,133	1,224,732
Total equity and liabilities		2,254,293	1,839,031

Practical example 3.3:

PANALPINA WORLD TRANSPORT (HOLDING) (2018) (cont'd) *SWITZERLAND*

Consolidated income statement

for the years ended December 31, 2018 and 2017

In thousand CHF	Notes	2018	2017
Net forwarding revenue	3 / 4	6,035,706	5,532,779
Forwarding services from third parties	4	(4,536,017)	(4,134,986)
Gross profit	4	1,499,689	1,397,793
Personnel expenses	5	(925,834)	(889,847)
Other operating expenses	6	(284,351)	(361,760)
EBITDA		289,504	146,185
Depreciation of property, plant and equipment	12	(22,722)	(21,294)
Depreciation of right-of-use of leased assets	13	(124,494)	0
Amortization of intangible assets	14	(23,919)	(21,570)
Operating result (EBIT)		118,369	103,321
Finance income	8	3,034	2,750
Finance costs	8	(13,837)	(4,529)
Profit before income tax (EBT)		107,565	101,542
Income tax expenses	9 / 10	(31,849)	(44,082)
Profit		75,716	57,460
Profit attributable to:			
Owners of the parent		78,042	58,809
Non-controlling interests	21	(2,326)	(1,350)
Earnings per share (in CHF)			
Basic	11	3.29	2.48
Diluted	11	3.29	2.48

Practical example 3.3:

PANALPINA WORLD TRANSPORT (HOLDING) (2018) (cont'd) *SWITZERLAND*

Consolidated statement of cash flows

for the years ended December 31, 2018 and 2017

In thousand CHF	Notes	2018	2017
Profit		75,716	57,460
Income tax expenses	9	31,849	44,082
Depreciation of property, plant and equipment	12	22,722	21,294
Depreciation of right-of-use of leased assets	13	124,494	0
Amortization of intangible assets	14	23,919	21,570
Interest income and dividend on available-for-sale financial assets	8	(3,030)	(2,232)
Interest expenses	8	7,773	614
Loss / (gain) on foreign exchange	8	3,262	(512)
Loss / (gain) on sales of property, plant and equipment	12	304	(329)
Expenses for share-based compensation plans	5 / 7	8,037	6,115
Other non-cash (income) and expenses		2,393	5,524
Subtotal cash flow from operations		297,440	153,586
Working capital adjustments:			
(Increase) / decrease receivables, other current assets, unbilled forwarding services and contract assets		(150,931)	(175,106)
(Decrease) / increase payables and accruals incl. accrued cost of service and contract liabilities		19,814	131,519
(Decrease) / increase non-current provisions and other liabilities	24	(4,686)	(6,950)
(Decrease) / increase current provisions and other liabilities	24	2,810	2,563
Cash generated from operations		164,446	105,613
Interest paid	22	(980)	(1,220)
Income taxes paid		(37,998)	(37,087)
Net cash from operating activities		125,468	67,306
Interests and dividends received	8	3,030	2,278
Proceeds from sale of property, plant and equipment and intangible assets		1,756	1,757
Proceeds from sale of investments		1,030	2,405
Repayments of loans and long-term receivables		3,582	5,493
Acquisition of subsidiaries and other businesses, net of cash	31	(29,803)	(10,594)
Purchase of property, plant and equipment	12	(35,232)	(53,169)
Purchase of intangible assets and capitalized development costs	14	(5,614)	(828)
Purchase of investments and other financial assets		(2,997)	(11,589)
Investments in long-term loans and long-term receivables		(1,963)	(3,886)
Net cash used in investing activities		(66,212)	(68,132)
Free cash flow		59,256	(826)
Proceeds from short- and long-term borrowings	22	150,613	3,254
Repayment of short- and long-term borrowings	22	(614)	(82)
Repayment of lease liabilities	13 / 22	(120,042)	0
Interest paid on lease liabilities	8	(6,793)	0
Dividends paid		(89,033)	(89,057)
Purchase of treasury shares	20	(5,431)	(3,775)
Sale of treasury shares		1,738	1,475
Net cash used in financing activities		(69,561)	(88,184)
Net increase / (decrease) in cash and cash equivalents		(10,305)	(89,010)
Cash and cash equivalents at the beginning of the year	19	310,850	388,777
Effect of exchange rate changes on cash and cash equivalents	27.2	(13,575)	11,084
Cash and cash equivalents at the end of the year	19	286,970	310,850

Practical examples of disclosures: ASML Holding N.V.

ASML Holding N.V. early adopted IFRS 16 with an initial application date of 1 January 2018. The entity applied the modified retrospective transition method and thus prior year comparatives were not restated. The amounts disclosed in the extracts are expressed in euros and presented in millions. The entity has elected to present right-of-use assets separately and lease liabilities as part of the long-term debt in the statement of financial position.

Practical example 3.4: ASML HOLDING N.V. (2018)

NETHERLANDS

Consolidated Statement of Financial Position

(Before appropriation of net income)

Notes	As of December 31 (in millions)	2016[1] EUR	2017[1] EUR	2018 EUR
	Assets			
9	Right-of-use assets	—	—	**137.6**
	Contract assets	56.7	—	**—**
10	Property, plant and equipment	1,687.2	1,546.1	**1,589.5**
11	Goodwill	4,898.3	4,562.7	**4,562.7**
12	Other intangible assets	2,882.3	2,736.1	**2,592.7**
13	Investments in associates	—	982.2	**915.8**
28	Deferred tax assets	181.6	196.3	**365.9**
18	Finance receivables	55.9	159.4	**275.1**
15	Derivative financial instruments	89.5	65.2	**59.7**
16	Other assets	377.6	564.0	**746.4**
	Total non-current assets	10,229.1	10,812.0	**11,245.4**
17	Inventories	2,731.8	2,955.6	**3,439.5**
31	Contract assets	91.6	270.4	**95.9**
28	Current tax assets	11.6	61.6	**79.7**
15	Derivative financial instruments	44.5	50.5	**42.2**
18	Finance receivables	447.4	59.1	**611.1**
19	Accounts receivable	674.2	1,740.3	**1,498.2**
16	Other assets	378.8	360.3	**629.5**
20	Short-term investments	1,150.0	1,029.3	**913.3**
20	Cash and cash equivalents	2,906.9	2,259.0	**3,121.1**
	Total current assets	8,436.8	8,786.1	**10,430.5**
	Total assets	18,665.9	19,598.1	**21,675.9**
	Equity and liabilities			
21	**Equity**	11,180.7	12,056.3	**12,942.4**
22	Long-term debt	3,071.8	3,000.1	**3,026.5**
15	Derivative financial instruments	38.1	62.7	**32.0**
28	Deferred and other tax liabilities	713.5	584.1	**488.7**
31	Contract liabilities	447.4	622.0	**1,224.6**
24	Accrued and other liabilities	138.2	135.6	**169.8**
	Total non-current liabilities	4,409.0	4,404.5	**4,941.6**
31	Contract liabilities	1,386.4	1,530.0	**1,728.6**
15	Derivative financial instruments	75.8	4.6	**15.4**
22	Current portion of long-term debt	247.7	25.2	**—**
28	Current tax liabilities	201.9	152.0	**187.9**
24	Accrued and other liabilities	571.2	588.2	**896.0**
	Accounts payable	593.2	837.3	**964.0**
	Total current liabilities	3,076.2	3,137.3	**3,791.9**
	Total equity and liabilities	18,665.9	19,598.1	**21,675.9**

1. As of January 1, 2018, ASML has adopted the new Revenue Recognition Standard (IFRS 15) and Lease Standard (IFRS 16). The comparative numbers have been restated to reflect the changes in the new Revenue Recognition Standard (IFRS 15), see Note 2 Adoption of new and revised International Financial Reporting Standards.

Practical example 3.4: ASML HOLDING N.V. (2018) (cont'd)

NETHERLANDS

9. Right-of-use assets and lease liabilities

Right-of-use assets consist of the following leases:

As of December 31 (in millions)	2017 EUR	2018 EUR
Properties	81.7	**105.1**
Cars	10.1	**11.9**
Warehouses	16.7	**14.5**
Other	5.2	**6.1**
Right-of-use assets	113.7	**137.6**

Lease liabilities related to leases are split between current and non-current:

As of December 31 (in millions)	2017 EUR	2018 EUR
Current	32.8	**46.3**
Non-current	81.0	**93.7**
Lease liabilities	113.8	**140.0**

The Consolidated Statement of Profit or Loss shows the following depreciation charges relating to these leases:

As of December 31 (in millions)	2016 EUR	2017 EUR	2018 EUR
Properties	31.0	29.9	**40.2**
Cars	7.1	7.1	**7.4**
Warehouses	5.1	5.9	**7.1**
Other	7.1	11.6	**12.4**
Depreciation charge right-of-use assets	50.3	54.5	**67.1**

The total cash outflow for operating leases in 2018 was EUR 67.1 million (2017: EUR 54.5 million; 2016: EUR 50.3 million).

The weighted average remaining lease term in 2018 was 60 months (2017: 57 months; 2016: 65 months). The weighted average discount rate in 2018 was 2.1 percent (2017: 2.2 percent; 2016: 2.2 percent).

The contractual maturity of the lease liabilities has been disclosed in Note 26 Commitments, contingencies and guarantees.

The disclosure of Finance Leases has been included in Note 10 Property, plant and equipment.

…

22. Long-term debt

Long-term debt consists of the following:

As of December 31 (in millions)	2017 EUR	2018 EUR
EUR 500 million 0.625 percent senior notes due 2022, carrying amount	487.8	**494.5**
EUR 750 million 3.375 percent senior notes due 2023, carrying amount	820.6	**816.0**
EUR 1,000 million 1.375 percent senior notes due 2026, carrying amount	947.8	**964.6**
EUR 750 million 1.625 percent senior notes due 2027, carrying amount	732.1	**742.4**
Loan headquarter building [1]	25.2	**—**
Other	11.8	**9.0**
Long-term debt	3,025.3	**3,026.5**
Less: current portion of long-term debt	25.2	**—**
Non-current portion of long-term debt	3,000.1	**3,026.5**

1. This loan related to our SPE, see Note 10 Property, plant and equipment.

…

The following table summarizes changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes:

(in millions)	Long term debt EUR	Lease liability EUR	Total EUR
Balance at January 1, 2017	3,304.3	15.2	**3,319.5**
Cash flows	(238.3)	(4.7)	**(243.0)**
Non cash changes:			
Fair value adjustments	(53.4)	—	**(53.4)**
Other	1.0	1.2	**2.2**
Balance at December 31, 2017	3,013.6	11.7	**3,025.3**
Cash flows	**(25.2)**	**(2.9)**	**(28.1)**
Non cash changes:			
Fair value adjustments	**25.7**	**—**	**25.7**
Other	**3.3**	**0.3**	**3.6**
Balance at December 31, 2018	**3,017.4**	**9.1**	**3,026.5**

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: 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 and thus prior comparatives were not restated. The amounts disclosed in the extracts are expressed in Australian dollars and in thousands. The entity provides the disclosures specified in IFRS 16.53 in a tabular format and, where appropriate, made reference to other sections of the financial statements. In addition, the entity disclosed the maturity analysis of lease liabilities separately from the maturity analyses of other financial liabilities.

Practical example 4.1a:

ERM POWER LIMITED (2019)

AUSTRALIA

7. Net Finance Expense

	Consolidated	
	2019 $'000	2018 $'000
Continuing operations		
Finance income		
Interest income	**3,849**	3,100
	3,849	**3,100**
Finance costs		
Borrowing costs – lease liabilities	**635**	733
Borrowing costs – bank loans	**11,163**	11,542
Borrowing costs – receivables financing facility	**3,272**	5,145
Borrowing costs – convertible notes	**3,932**	3,937
Other borrowing costs	**9,556**	5,954
	28,558	**27,311**

RECOGNITION AND MEASUREMENT

Interest revenue and expenses are recognised on a time proportional basis using the effective interest rate method applicable to financial assets and liabilities. Other borrowing costs includes bank guarantee charges associated with the Group's Australian electricity retailing operation.

18. Lease Assets and Liabilities

RIGHT OF USE LEASE ASSETS

		Consolidated	
	Note	2019 $'000	2018 $'000
Cost		**16,204**	15,876
Accumulated depreciation and impairment		**(7,411)**	(5,352)
Net carrying amount at 30 June		**8,793**	**10,524**
Opening net carrying amount at 1 July		**10,524**	14,381
Exchange differences		**(135)**	37
Additions		**1,825**	39
Acquisitions through business combination	30	**511**	-
Amortisation		**(2,657)**	(2,943)
Classified from / (to) held for sale	31	**990**	(990)
Reclassification upon sublease of asset		**(2,265)**	-
Closing net carrying amount at 30 June		**8,793**	**10,524**

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 2019 is $422,283 (2018: $431,110).

Practical example 4.1a: ERM POWER LIMITED (2019) (con'd)

AUSTRALIA

LEASE LIABILITIES

	Consolidated 2019 $'000	Consolidated 2018 $'000
Current		
Lease liabilities	**4,305**	3,681
Non-current		
Lease liabilities	**12,012**	13,588
Total lease liabilities	**16,317**	**17,269**
Undiscounted lease payments to be received		
1 year	**441**	451
2 years	**460**	469
3 years	**483**	488
4 years	**195**	510
5 years	**-**	204
>5 years	**-**	-
	1,579	**2,122**

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.

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.

Lease 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.

KEY JUDGMENTS AND ESTIMATES

Amortisation

Amortisation of leased assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives being the lesser of the remaining lease term and the life of the asset.

Practical examples of disclosures: Mondi Group

The financial statements of Mondi Group represent the combined and consolidated financial statements of two separate legal entities, Mondi Limited and Mondi plc, and their respective subsidiaries. Mondi Group early adopted IFRS 16 with an initial application date of 1 January 2018. The entity applied the full retrospective transition method and thus prior year comparatives were restated. The amounts disclosed in the extracts are expressed in euros and presented in millions. The entity provides the disclosures specified in IFRS 16.53 in a tabular format within the same footnote. In addition, the entity disclosed the maturity analysis of lease liabilities separately from the maturity analyses of other financial liabilities.

Practical example 4.1b:
MONDI GROUP (2018)

AUSTRALIA

11 Leases

…

Right-of-use assets

€ million	Right-of-use assets 2018	Right-of-use assets Restated 2017	Depreciation charge 2018	Depreciation charge Restated 2017
Land and buildings	120	138	(14)	(14)
Plant and equipment	19	19	(7)	(7)
Other	9	12	(6)	(6)
Total	**148**	**169**	**(27)**	**(27)**

Additions to the right-of-use assets during 2018 were €25 million (2017 restated: €27 million).

Lease liabilities

€ million	2018	Restated 2017
Maturity analysis – contractual undiscounted cash flows		
Less than one year	34	40
One to five years	84	105
More than five years	267	300
Total undiscounted cash flows	**385**	**445**
Total lease liabilities	**184**	**208**
Current	22	25
Non-current	162	183

The total cash outflow for leases during 2018 was €41 million (2017 restated: €41 million).

Amounts recognised in the combined and consolidated income statement

€ million	2018	Restated 2017
Interest on lease liabilities	(14)	(14)
Expenses relating to short-term leases	(1)	—
Expenses relating to leases of low-value assets	(1)	—

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.

In its consolidated financial statements for the reporting period of 2017, 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 4.2a:
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.

Practical examples of disclosures: Oriflame Holding AG

Oriflame Holding AG early adopted IFRS 16 with an initial application date of 1 January 2018. The entity applied the modified retrospective transition method and thus prior comparatives were not restated. The amounts disclosed in the extracts are expressed in euros and presented in thousands. The entity disclosed information about the types of underlying assets subject to leases, non-cancellable lease periods, typical lease terms, extension options, variable lease payments based on an index, market rent reviews and residual value guarantees.

Practical example 4.2b:
ORIFLAME HOLDING AG (2018)

LUXEMBOURG

NOTE 14 • RIGHT-OF-USE ASSETS

…

Office building
The Group leases its head office building. The non-cancellable period of the lease varies from country to country (from 2–3 years to 10 years), with the option to extend the lease. The lease payments are adjusted every year, based on the change in the consumer price index in the preceding year. If the Group exercises the renewal option, then the lease payments in the renewal period will reflect the market rate at that point in time.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component based on their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Lease of vehicles
The Group leases vehicles, with lease terms of three to five years. In some cases, the Group has options to purchase the assets at the end of the contract term; in other cases, it guarantees the residual value of the leased assets at the end of the contract term.

The Group monitors the use of these vehicles and reassesses the estimated amount payable under the residual value guarantees at the reporting date to remeasure lease liabilities and right-of-use assets.

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. The amounts disclosed in the extracts are expressed in euros and presented in millions. The entity disclosed information about the types of underlying assets subject to leases, exposure arising from variable lease payments, extension and termination options and the extent of variable lease payments relative to fixed lease payments.

Practical example 4.2c: ProSiebenSat.1 Media SE (2018)

GERMANY

173 / **FUTURE CASH OUTFLOWS NOT REFLECTED IN THE MEASUREMENT OF LEASE LIABILITIES** in EUR m

	Remaining term 1 year or less	Remaining term 1 to 5 years	Remaining term over 5 years	Total
Future variable lease payments	4	9	3	16
Future payments for not reasonably certain extension options	0	13	18	31
Future payments for not reasonably certain termination options	2	-/-	-/-	2

In addition, there are future payments from residual value guarantees, from leases that have not yet commenced but where the relevant contracts have already been concluded as well as for short-term leases with a term of 12 months or less and for leases of low-value assets which, however, are immaterial from the perspective of ProSiebenSat.1 Group.

The relative ratio between fixed and variable lease payments is shown in the following table:

174 / **RATIO OF FIXED AND VARIABLE LEASE PAYMENTS** in EUR m

	2018
Fixed lease payments	45
Variable lease payments	4
Ratio	8%

The variable lease payments primarily relate to operating costs within the framework of property lease agreements.

As ProSiebenSat.1 Group is mainly operating in the media and digital sectors, physical assets under leasing agreements only have a supporting function for business operations. The concluded leases mainly relate to the renting of office space, IT equipment, other operating and office equipment as well as vehicles for selected employees.

ProSiebenSat.1 Group has a number of leasing agreements in place where Group companies act as lessors or carry out sale-and-lease-back transactions; however, ProSiebenSat.1 Group does not consider them to be material.

No covenants exist within the framework of the financing instruments. In addition, lease liabilities are not part of the net financial debt parameter used for capital market reporting purposes.

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: Merlin Properties SOCIMI, S.A.

Merlin Properties SOCIMI, S.A. early adopted IFRS 16 with an initial application date of 1 January 2018. It applied the modified retrospective transition method and thus prior comparatives were not restated. It also 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. 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. In addition to disclosing its accounting policies for lessee and lessor accounting, the entity also disclosed its accounting policy for right-of-use assets that meet the definition of investment property.

Practical example 4.3a:
Merlin Properties SOCIMI, S.A. (2018) *SPAIN*

5.1 Investment property

Investment property comprises buildings under construction and development for use as investment property maintained (by the owner or by the lessee as right-of-use asset), which are partially or fully held to generate revenue, profits or both, rather than for use in the production or supply of goods or services, or for the Group's administrative purposes or sale in the ordinary course of business.

All the assets and rights of use (through the corresponding administrative concession or surface right granted by a government agency) classified as investment property are being operated with various tenants. These properties are earmarked for leasing to third parties. The Parent's directors do not plan to dispose of these assets within 12 months and have therefore decided to recognise them as investment property in the consolidated statement of financial position.

Investment property is carried at fair value at the reporting date and is not depreciated. Investment property includes land, the rights of use of the concession projects, buildings or other constructions held to earn rentals or for the obtainment of gains on the sale as a result of future increases in the respective market prices.

Gains or losses arising from changes in the fair value of investment property are included in the income statement for the year in which they arise.

While construction work is in progress, the costs of construction work and finance costs are capitalised. The aforementioned assets are recognised at fair value when they become operational.

In accordance with IAS 40, the Group periodically determines the fair value of its investment property so that the fair value reflects the actual market conditions of the investment property items at that date. This fair value is determined on half-yearly basis based on the appraisals undertaken by independent experts.

The market value of the Group's investment property at 31 December 2018, calculated on the basis of appraisals carried out by Savills and CBRE, independent appraisers not related to the Group, amounted to EUR 11,824,199 thousand (see Note 8).

Practical example 4.3a:
Merlin Properties SOCIMI, S.A. (2018) (cont'd)

SPAIN

5.3 Leases

At the beginning of an arrangement, the Group assesses whether it is or contains a lease. An agreement is or contains a lease if it transfers the right to control the use of an asset identified by a period of time in exchange for consideration.

The Group once again assesses if an agreement is or contains a lease only if the terms and conditions of the agreement change.

5.3.1 Lessee

For an agreement that contains a lease component and one or more additional lease components or other components that are not leases, the Group will distribute the consideration for the agreement to each component of the lease based on the independent relative price of the lease component and the independent aggregate price of the components that are not leases.

The independent relative price of the lease components and the components that are not leases will be determined based on the price that the lessor or a similar supplier, would charge an entity separately for that component or one that is similar. If there is no independent observable price easily available, the Group will estimate the independent price, maximising the use of observable information.

The Group opted not to apply the subsequent recognition and measurement requirements indicated in IFRS 16 to short-term leases and those in which the underlying asset has a low value, recognising the lease payments associated with the leases as an expense on a straight-line basis over the lease term.

Initial recognition

At the commencement date a lessee recognises a right-of-use asset and a lease liability.

At the commencement date a lessee measures a right-of-use asset at cost. The cost of the right of use asset includes:

(a) the initial measurement of the lease liability measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee will use their incremental borrowing rate.

(b) the lease payments made before or after commencement, less the lease incentives received;

(c) any initial direct costs incurred by the lessee; and

(d) an estimate of the costs incurred by the lessee upon disassembling and eliminating the underlying asset, restoring the place where it was located or restoring the underlying asset to the condition required by the terms of the lease, unless it incurs these costs to produce inventories. The lessee may incur obligations as a result of these costs either at the commencement date or as a result of having used the underlying asset during a specific period.

Subsequent measurement of the right of use asset

After the commencement date, the Group measures its right-of-use asset using a cost model unless it applies the fair value model under IAS 40 "Investment Property" to its investment property and rights of use that meets the definition of investment properties (see Note 5.1). If the right of use asset relates to a class of property, plant and equipment to which the lessee applies IAS 16's revaluation model, the lessee may opt to use that revaluation model for all right-of-use asset's of assets related to this class of property, plant and equipment.

Subsequent measurement of the lease liability

After the commencement date, the Measures a lease liability:

(a) increasing the carrying amount to reflect the interest on the lease liability;

(b) reducing the carrying amount to reflect the lease payments made; and

(c) measuring the carrying amount again to reflect the new measurements or changes in the lease and also to reflect the in-substance fixed lease payments that have been reviewed.

Practical example 4.3a:
Merlin Properties SOCIMI, S.A. (2018) (cont'd)

SPAIN

5.3.2 Lessor

Lessors will classify each lease as an operating lease or finance.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

Finance leases

At the commencement of the lease term, the Group recognises finance leases in the consolidated statement of financial position at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. To calculate the present value of the lease payments the interest rate stipulated in the finance lease is used.

The cost of assets acquired under finance leases is presented in the consolidated statement of financial position on the basis of the nature of the leased asset. These assets relate in full to investment property and are measured in accordance with that established in Note 5.1.

Operating leases

A lessor recognises operating lease payments as income on a straight-line basis or, if more representative of the pattern in which benefit from use of the underlying asset is diminished, another systematic basis.

The Group recognises the costs, including depreciation, incurred to obtain the lease income as an expense. In addition, it adds the initial direct costs incurred to obtain an operating lease to the carrying amount of the underlying asset and recognises the aforementioned costs as an expense over the lease term, on the same basis as the lease income.

Practical examples of disclosures: Tesco Plc

Tesco Plc adopted IFRS 16 with an initial application date of 24 February 2019. The entity applied the full retrospective transition method. The amounts disclosed in the extracts are expressed in British pounds and presented in millions. In addition to disclosing the accounting policies for lessee and lessor accounting, the entity included sale and leaseback transactions in its significant accounting policies.

Practical example 4.3b:
TESCO PLC (2019)

UNITED KINGDOM

Leases
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as a lessee
Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability is included in the Group balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and a reduction of the lease obligations so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the Group income statement. Rentals payable under operating leases are charged to the Group income statement on a straight-line basis over the term of the lease.

The Group as a lessor
Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment in the lease. Rental income from operating leases is recognised on a straight-line basis over the term of the lease.

Sale and leaseback
A sale and leaseback transaction is one where the Group sells an asset and immediately reacquires the use of the asset by entering into a lease with the buyer.

For sale and finance leasebacks, any profit from the sale is deferred and amortised over the lease term. For sale and operating leasebacks, generally the assets are sold at fair value, and accordingly the profit or loss from the sale is recognised immediately in the Group income statement.

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 4.3c:
PLAY COMMUNICATIONS S.A. (2018) *LUXEMBOURG*

2.5 Critical accounting estimates and judgments

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that bear a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the current or next financial years are discussed below.

…

2.5.2 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 27.3) and the valuation of right-of-use assets (please see Note 14). 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 generally 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. The same term is applied as economic useful life of right-of-use assets.

For all contracts signed since January 1, 2018 relating to properties for telecommunication sites, the Group has concluded that there are a number of scenarios where the Group might elect not to exercise the extension options. Therefore, the IFRS 16 criterion of being reasonably certain to exercise the extension options is not fulfilled. The periods covered by a potential use of an option to extend the lease were excluded from the lease term. For leases of property for telecommunication sites with indefinite term the Group previously estimated 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). In the three-month period ended March 31, 2018 the Group has reassessed its estimation of the non-cancellable period of such types of leases to be equal to the average or typical market contract term of particular type of lease. The above described changes were considered as change in estimate and were applied prospectively and resulted in a decrease of the lease liabilities balance of approximately 5% and in a decrease of the right-of-use assets balance of approximately 6%. For leases other than telecommunication sites with indefinite term the Group continuously estimates the non-cancellable period to be equal to the average or typical market contract term of particular type of lease. The Group will continue to monitor these assumptions in the future as a result of a review of the industry practice and the evolution of the accounting interpretations in relation to estimation of the lease terms among peer telecommunications entities when they also apply IFRS 16.

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.

Practical examples of disclosures: BCE Inc.

BCE Inc. adopted IFRS 16 with an initial application date of 1 January 2019. The entity applied the modified retrospective transition method and thus prior comparatives were not restated. The amounts disclosed in the extracts are expressed in Canadian dollars and presented in millions. The entity disclosed that the identification of a lease and the determination of the lease term require judgement and the determination of the discount rate requires estimates.

Practical example 4.3d:
BCE INC (2019, H1)
CANADA

ESTIMATES AND KEY JUDGMENTS

SIGNIFICANT JUDGMENTS AND ESTIMATES RELATING TO THE APPLICATION OF IFRS 16

The application of IFRS 16 requires BCE to make judgments and estimates that affect the measurement of right-of-use assets and liabilities. In determining the lease term, we must consider all facts and circumstances that create an economic incentive to exercise renewal options (or not exercise termination options). Assessing whether a contract includes a lease also requires judgment. Estimates are required to determine the appropriate discount rate used to measure lease liabilities.

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 financial statements, the entity explained the changes in accounting standards arising from the adoption of 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, separately from the effect of adopting other new accounting standards.

[20] IAS 1.40A

Practical example 5.1a:
Nestlé S.A. (2018)

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.

The new accounting policies are set out in Note 8.2. 2017 comparatives have been restated (see Note 22).

Practical example 5.1a:
Nestlé S.A. (2018) (cont'd)

SWITZERLAND

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

As described in Note 1 Accounting policies, comparative figures 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 year ended December 31, 2017

In millions of CHF

	January–December 2017 as originally published	IFRS 15	IFRS 16	Other	January–December 2017 restated
Sales	**89 791**	**(169)**	**–**	**(32)**	**89 590**
Other revenue	330	2	–	–	332
Cost of goods sold	(44 923)	1	9	(658)	(45 571)
Distribution expenses	(8 205)	159	44	(21)	(8 023)
Marketing and administration expenses	(20 540)	6	28	688	(19 818)
Research and development costs	(1 724)	–	1	(16)	(1 739)
Other trading income	111	–	1	–	112
Other trading expenses	(1 607)	–	1	–	(1 606)
Trading operating profit	**13 233**	**(1)**	**84**	**(39)**	**13 277**
Other operating income	379	–	–	–	379
Other operating expenses	(3 500)	–	–	–	(3 500)
Operating profit	**10 112**	**(1)**	**84**	**(39)**	**10 156**
Financial income	152	–	–	–	152
Financial expense	(771)	–	(77)	–	(848)
Profit before taxes, associates and joint ventures	**9 493**	**(1)**	**7**	**(39)**	**9 460**
Taxes	(2 779)	(24)	(9)	39	(2 773)
Income from associates and joint ventures	824	–	–	–	824
Profit for the year	**7 538**	**(25)**	**(2)**	**–**	**7 511**
of which attributable to non-controlling interests	355	–	–	–	355
of which attributable to shareholders of the parent (Net profit)	7 183	(25)	(2)	–	7 156
As percentages of sales					
Trading operating profit	14.7%	+3 bps	+9 bps	–4 bps	14.8%
Profit for the year attributable to shareholders of the parent (Net profit)	8.0%	–1 bps	0 bps	0 bps	8.0%
Earnings per share (in CHF)					
Basic earnings per share	2.32	(0.01)	–	–	2.31
Diluted earnings per share	2.32	(0.01)	–	–	2.31

Consolidated statement of comprehensive income for the year ended December 31, 2017

In millions of CHF

	January–December 2017 as originally published	IFRS 15	IFRS 16	Other	January–December 2017 restated
Profit for the year recognized in the income statement	**7 538**	**(25)**	**(2)**	**–**	**7 511**
Currency retranslations, net of taxes	(558)	(2)	(1)	–	(561)
Fair value adjustments on available-for-sale financial instruments, net of taxes	(10)	–	–	–	(10)
Fair value adjustments on cash flow hedges, net of taxes	(55)	–	–	–	(55)
Share of other comprehensive income of associates and joint ventures	(240)	–	–	–	(240)
Items that are or may be reclassified subsequently to the income statement	(863)	(2)	(1)	–	(866)
Remeasurement of defined benefit plans, net of taxes	1 063	–	–	–	1 063
Share of other comprehensive income of associates and joint ventures	52	–	–	–	52
Items that will never be reclassified to the income statement	1 115	–	–	–	1 115
Other comprehensive income for the year	**252**	**(2)**	**(1)**	**–**	**249**
Total comprehensive income for the year	**7 790**	**(27)**	**(3)**	**–**	**7 760**
of which attributable to non-controlling interests	328	–	–	–	328
of which attributable to shareholders of the parent	7 462	(27)	(3)	–	7 432

Practical example 5.1a: Nestlé S.A. (2018) (cont'd)

SWITZERLAND

Consolidated cash flow statement for the year ended December 31, 2017

In millions of CHF

	January–December 2017 as originally published	IFRS 15	IFRS 16	Other	**January–December 2017 restated**
Operating activities					
Operating profit	10 112	(1)	84	(39)	10 156
Depreciation and amortization	3 227	–	707	–	3 934
Impairment	3 557	–	25	–	3 582
Net result on disposal of businesses	132	–	–	–	132
Other non-cash items of income and expense	(185)	–	(1)	–	(186)
Cash flow before changes in operating assets and liabilities	**16 843**	**(1)**	**815**	**(39)**	**17 618**
Decrease/(increase) in working capital	(243)	1	(3)	1	(244)
Variation of other operating assets and liabilities	393	–	(32)	–	361
Cash generated from operations	**16 993**	**–**	**780**	**(38)**	**17 735**
Net cash flows from treasury activities	(423)	–	(75)	8	(490)
Taxes paid	(3 666)	–	–	38	(3 628)
Dividends and interest from associates and joint ventures	582	–	–	–	582
Operating cash flow	**13 486**	**–**	**705**	**8**	**14 199**
Investing activities					
Capital expenditure	(3 934)	–	(4)	–	(3 938)
Expenditure on intangible assets	(769)	–	–	–	(769)
Acquisition of businesses	(696)	–	–	–	(696)
Disposal of businesses	140	–	–	–	140
Investments (net of divestments) in associates and joint ventures	(140)	–	–	–	(140)
Inflows/(outflows) from treasury investments	593	–	–	(6)	587
Other investing activities	(134)	–	–	–	(134)
Investing cash flow	**(4 940)**	**–**	**(4)**	**(6)**	**(4 950)**

Consolidated cash flow statement for the year ended December 31, 2017 (continued)

In millions of CHF

	January–December 2017 as originally published	IFRS 15	IFRS 16	Other	**January–December 2017 restated**
Financing activities					
Dividend paid to shareholders of the parent	(7 126)	–	–	–	(7 126)
Dividends paid to non-controlling interests	(342)	–	–	–	(342)
Acquisition (net of disposal) of non-controlling interests	(526)	–	–	–	(526)
Purchase (net of sale) of treasury shares	(3 295)	–	–	–	(3 295)
Inflows from bonds and other non-current financial debt	6 406	–	–	–	6 406
Outflows from bonds and other non-current financial debt	(2 489)	–	(701)	–	(3 190)
Inflows/(outflows) from current financial debt	(1 009)	–	–	(2)	(1 011)
Financing cash flow	**(8 381)**	**–**	**(701)**	**(2)**	**(9 084)**
Currency retranslations	(217)	–	–	–	(217)
Increase/(decrease) in cash and cash equivalents	**(52)**	**–**	**–**	**–**	**(52)**
Cash and cash equivalents at beginning of year	7 990	–	–	–	7 990
Cash and cash equivalents at end of year	**7 938**	**–**	**–**	**–**	**7 938**

Practical example 5.1a: Nestlé S.A. (2018) (cont'd)

SWITZERLAND

Consolidated balance sheet as at December 31, 2017

In millions of CHF

	December 31, 2017, as originally published	IFRS 15	IFRS 16	Other	December 31, 2017, restated
Assets					
Current assets					
Cash and cash equivalents	7 938	–	–	–	7 938
Short-term investments	655	–	–	–	655
Inventories	9 061	203	–	(87)	9 177
Trade and other receivables	12 422	(388)	–	2	12 036
Prepayments and accrued income	607	–	(34)	–	573
Derivative assets	231	–	–	–	231
Current income tax assets	919	–	–	(2)	917
Assets held for sale	357	–	–	–	357
Total current assets	**32 190**	**(185)**	**(34)**	**(87)**	**31 884**
Non-current assets					
Property, plant and equipment	27 775	–	3 002	–	30 777
Goodwill	29 748	–	(2)	–	29 746
Intangible assets	20 615	–	–	–	20 615
Investments in associates and joint ventures	11 628	–	–	–	11 628
Financial assets	6 003	–	–	–	6 003
Employee benefits assets	392	–	–	–	392
Current income tax assets	62	–	–	–	62
Deferred tax assets	1 967	71	39	26	2 103
Total non-current assets	**98 190**	**71**	**3 039**	**26**	**101 326**
Total assets	**130 380**	**(114)**	**3 005**	**(61)**	**133 210**

Consolidated balance sheet as at December 31, 2017 (continued)

In millions of CHF

	December 31, 2017, as originally published	IFRS 15	IFRS 16	Other	December 31, 2017, restated
Liabilities and equity					
Current liabilities					
Financial debt	10 536	–	675	–	11 211
Trade and other payables	18 872	6	(14)	–	18 864
Accruals and deferred income	4 094	210	(5)	–	4 299
Provisions	863	–	(6)	(38)	819
Derivative liabilities	507	–	–	–	507
Current income tax liabilities	1 170	–	–	1 307	2 477
Liabilities directly associated with assets held for sale	12	–	–	–	12
Total current liabilities	**36 054**	**216**	**650**	**1 269**	**38 189**
Non-current liabilities					
Financial debt	15 932	–	2 634	–	18 566
Employee benefits liabilities	7 111	–	–	–	7 111
Provisions	2 445	–	(29)	(1 269)	1 147
Deferred tax liabilities	3 559	(35)	(32)	–	3 492
Other payables	2 502	–	(26)	–	2 476
Total non-current liabilities	**31 549**	**(35)**	**2 547**	**(1 269)**	**32 792**
Total liabilities	**67 603**	**181**	**3 197**	**–**	**70 981**
Equity					
Share capital	311	–	–	–	311
Treasury shares	(4 537)	–	–	–	(4 537)
Translation reserve	(19 433)	(2)	(1)	–	(19 436)
Other reserves	989	–	–	–	989
Retained earnings	84 174	(293)	(191)	(61)	83 629
Total equity attributable to shareholders of the parent	**61 504**	**(295)**	**(192)**	**(61)**	**60 956**
Non-controlling interests	1 273	–	–	–	1 273
Total equity	**62 777**	**(295)**	**(192)**	**(61)**	**62 229**
Total liabilities and equity	**130 380**	**(114)**	**3 005**	**(61)**	**133 210**

Practical example 5.1a:
Nestlé S.A. (2018) (cont'd)

SWITZERLAND

Consolidated balance sheet as at January 1, 2017

In millions of CHF

	January 1, 2017, as originally published	IFRS 15	IFRS 16	Other	January 1, 2017, restated
Assets					
Current assets					
Cash and cash equivalents	7 990	–	–	–	7 990
Short-term investments	1 306	–	–	–	1 306
Inventories	8 401	206	–	(87)	8 520
Trade and other receivables	12 411	(392)	–	3	12 022
Prepayments and accrued income	573	–	(38)	–	535
Derivative assets	550	–	–	–	550
Current income tax assets	786	–	–	(3)	783
Assets held for sale	25	–	–	–	25
Total current assets	**32 042**	**(186)**	**(38)**	**(87)**	**31 731**
Non-current assets					
Property, plant and equipment	27 554	–	2 743	–	30 297
Goodwill	33 007	–	–	–	33 007
Intangible assets	20 397	–	–	–	20 397
Investments in associates and joint ventures	10 709	–	–	–	10 709
Financial assets	5 719	–	–	–	5 719
Employee benefits assets	310	–	–	–	310
Current income tax assets	114	–	–	–	114
Deferred tax assets	2 049	81	34	26	2 190
Total non-current assets	**99 859**	**81**	**2 777**	**26**	**102 743**
Total assets	**131 901**	**(105)**	**2 739**	**(61)**	**134 474**

Consolidated balance sheet as at January 1, 2017 (continued)

In millions of CHF

	January 1, 2017, as originally published	IFRS 15	IFRS 16	Other	January 1, 2017, restated
Liabilities and equity					
Current liabilities					
Financial debt	12 118	–	659	–	12 777
Trade and other payables	18 629	6	(16)	–	18 619
Accruals and deferred income	3 855	215	(4)	–	4 066
Provisions	620	–	(8)	(21)	591
Derivative liabilities	1 068	–	–	–	1 068
Current income tax liabilities	1 221	–	–	1 528	2 749
Liabilities directly associated with assets held for sale	6	–	–	–	6
Total current liabilities	**37 517**	**221**	**631**	**1 507**	**39 876**
Non-current liabilities					
Financial debt	11 091	–	2 361	–	13 452
Employee benefits liabilities	8 420	–	–	–	8 420
Provisions	2 640	–	(5)	(1 507)	1 128
Deferred tax liabilities	3 865	(58)	(41)	–	3 766
Other payables	2 387	–	(18)	–	2 369
Total non-current liabilities	**28 403**	**(58)**	**2 297**	**(1 507)**	**29 135**
Total liabilities	**65 920**	**163**	**2 928**	**–**	**69 011**
Equity					
Share capital	311	–	–	–	311
Treasury shares	(990)	–	–	–	(990)
Translation reserve	(18 799)	–	–	–	(18 799)
Other reserves	1 198	–	–	–	1 198
Retained earnings	82 870	(268)	(189)	(61)	82 352
Total equity attributable to shareholders of the parent	**64 590**	**(268)**	**(189)**	**(61)**	**64 072**
Non-controlling interests	1 391	–	–	–	1 391
Total equity	**65 981**	**(268)**	**(189)**	**(61)**	**65 463**
Total liabilities and equity	**131 901**	**(105)**	**2 739**	**(61)**	**134 474**

Practical examples of disclosures: RELX PLC

RELX PLC 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 British pounds and presented in millions. The entity disclosed the impact to the sublease finance receivables as a result of the reclassification of sublease arrangements under IFRS 16.

Practical example 5.1a: RELX PLC (2018)

UNITED KINGDOM

1 Basis of preparation and accounting policies

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Standards and amendments effective for the year

New accounting standards and amendments effective for the period and adopted by the Group in 2018 are IFRS 9 – Financial Instruments and IFRS 15 – Revenue from Contracts with Customers. IFRS 16 – Leases has also been adopted in the period, a year earlier than its mandatory effective date of 1 January 2019.

The impact of the adoption of these standards on the full year 2016 and full year 2017 results is as follows:

	2016 as reported £m	IFRS 9 impact £m	IFRS 15 impact £m	IFRS 16 impact £m	**2016 as restated £m**
Income statement					
Revenue	**6,895**	–	(6)	–	**6,889**
Reported operating profit	**1,708**	–	(6)	6	**1,708**
Net finance costs	**(195)**	(2)	–	(16)	**(213)**
Reported net profit attributable to RELX PLC shareholders	**1,161**	(2)	(4)	(5)	**1,150**
Reported EPS	**56.3p**	(0.1p)	(0.2p)	(0.2p)	**55.8p**
Statement of financial position					
Right-of-use assets	**20**	–	–	306	**326**
Borrowings (including lease liability)	**(4,843)**	17	–	(430)	**(5,256)**
Finance lease receivable	**–**	–	–	63	**63**
Deferred income	**(1,941)**	–	(67)	–	**(2,008)**

	2017 as reported £m	IFRS 9 impact £m	IFRS 15 impact £m	IFRS 16 impact £m	**2017 as restated £m**
Income statement					
Revenue	**7,355**	–	(14)	–	**7,341**
Adjusted operating profit	**2,284**	–	(11)	11	**2,284**
Reported operating profit	**1,905**	–	(11)	11	**1,905**
Net finance costs	**(182)**	(2)	–	(15)	**(199)**
Adjusted net profit attributable to RELX PLC shareholders	**1,635**	(2)	(9)	(4)	**1,620**
Reported net profit attributable to RELX PLC shareholders	**1,659**	(2)	(9)	–	**1,648**
Adjusted EPS	**81.0p**	(0.1p)	(0.5p)	(0.2p)	**80.2p**
Reported EPS	**82.2p**	(0.1p)	(0.5p)	–	**81.6p**
Statement of financial position					
Right-of-use assets	**16**	–	–	271	**287**
Borrowings (including lease liability)	**(4,886)**	14	–	(381)	**(5,253)**
Finance lease receivable	**–**	–	–	57	**57**
Deferred income	**(1,834)**	–	(76)	–	**(1,910)**

...

IFRS 16 – Leases (early adopted and therefore effective for the 2018 financial year)

IFRS 16 eliminates the distinction between operating and finance leases and requires lessees to recognise all leases with a lease term of greater than 12 months in the statement of financial position. RELX has adopted this standard a year earlier than the mandatory effective date of 1 January 2019. IFRS 16 has been adopted on a fully retrospective basis.

The change in accounting standard results in both an asset and liability being brought onto the statement of financial position for the majority of leases where RELX is a lessee. The asset is then depreciated, and interest expense recognised over the life of the lease. The standard also gives guidance on the recognition of subleases, which results in finance sublease receivables being recognised on the balance sheet. As at 31 December 2017, the restated statement of financial position includes additional right-of-use assets of £271m, finance lease receivables of £57m and additional lease liabilities of £381m (31 December 2016:right-of-use assets of £306m, finance lease receivables of £63m and lease liabilities of £430m).

The impact on the income statement for the 12 months to 31 December 2017 is an increase of £11m to both reported and adjusted operating profit (31 December 2016: £6m increase to reported operating profit) offset by a net increase to finance costs of £15m (31 December 2016: £16m). After taking into account additional gains from disposals of right-of-use assets, there is no impact on reported net profit.

Opening balance sheet adjustment

An opening balance sheet adjustment has been made at 1 January 2016 to reflect the impact of adoption on prior years. The adjustment reduces opening retained earnings by £36m. This mainly relates to the recognition of lease expense earlier on in the lease under IFRS 16 and the deferral of revenue into future periods under IFRS 15.

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 AG

The Deutsche Post DHL AG early adopted IFRS 16 with an initial application date of 1 January 2018. The entity applied the modified retrospective transition method and thus prior comparatives were not restated. 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. The entity disclosed a reconciliation to explain the difference between the operating lease obligations disclosed as of 31 December 2017 and the lease liabilities recognised in the balance sheet as of 1 January 2018 (the date of initial application).

Practical example 5.2a:
Deutsche Post DHL AG (2018) *GERMANY*

Basis of preparation

1 Basis of accounting

...

The accounting policies and the explanations and disclosures in the notes to the IFRS consolidated financial statements for financial year 2018 are fundamentally based on the same accounting policies used in the 2017 consolidated financial statements. Exceptions to this are the changes described in note 4 due to the initial application of IFRSs 9, 15 and 16 and the changes in international financial reporting under IFRSs described in note 5 that have been required to be applied by the Group since 1 January 2018. The accounting policies are explained in note 7.

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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. Of these lease liabilities, €1.6 billion was due within one year. 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 are accounted for as short-term leases and the lease payments associated with them are 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: Deutsche Post DHL AG (2018) (cont'd)

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 low value asset leases	–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 incremental borrowing rate as at 1 January 2018. The weighted average discount rate was 3.8%. In order to calculate the incremental borrowing rate, reference interest rates were derived – for a period of up to 15 years – from the yields of corporate bonds in major countries and/or currencies, provided there was a deep market for corporate bonds. By contrast, government bond yields were used for countries without a deep market for corporate bonds. The reference interest rates were supplemented by a leasing risk premium.

Leases are presented as follows in the income statement:

Leases in the income statement

€m

	2018
Revenue/other operating income	
Operating lease income	49
Sublease income	37
Income from sale and leaseback transactions	46
Materials expense	
Expenses from short-term leases	664
Expenses from low-value asset leases	46
Expenses from variable lease payments	33
Other lease expenses (incidental expenses)	56
Depreciation and impairment losses	
Depreciation of and impairment losses on right-of-use assets	1,862
Impairment losses on right-of-use assets	10
Net finance costs	
Interest expenses on lease liabilities	376
Currency translation gains on lease liabilities	27
Currency translation losses on lease liabilities	56

Disclosures regarding right-of-use assets and lease liabilities and other disclosures can be found under the relevant balance sheet items, notes 23, 41, 43 and 44.

Note 7 contains a detailed presentation of the changes in accounting policies due to IFRSs 9, 15 and 16.

Practical examples of disclosures: PUBLICIS GROUPE S.A.

PUBLICIS GROUPE S.A. adopted IFRS 16 with an initial application date of 1 January 2018. It applied the modified retrospective transition method and thus prior comparatives were not restated. The entity elected to apply the recognition exemptions for short-term leases and leases for which the underlying asset is of low value. It also elected to apply the transitional practical expedient that permits the entity not to reassess if a contract is, or contains, a lease at the date of initial application. Finally, the entity 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. The entity also disclosed the amount of adjustment, on a line-by-line basis, in the financial statements for the current year.

Practical example 5.2c:
PUBLICIS GROUPE S.A. (2018)

FRANCE

Note 1 Accounting policies

1.1 Impact of IFRS standards and IFRIC interpretations taking effect or applied early as of January 1, 2018 and impact of published IFRS standards and IFRIC interpretations not yet in force

New standards and interpretations applied early

- **IFRS 16 "Leases"**

The Group decided to early apply IFRS 16 "Lease Contracts" from January 1, 2018.

The Group rents its offices in most of the cities in which it operates. In addition, as part of its advertising network activity, the Group has entered into advertising outdoor contracts.

Finally, the rental agreements within the scope of application of IFRS 16 also concern vehicles and computing equipment.

Previously, each lease contract was qualified either as finance lease, or as operating lease, with accounting treatment appropriate for each category. In application of IFRS 16, all lease contracts are now recognized in right-of-use assets and in lease liabilities by a debt corresponding to the discounted value of future payments. Lease term is defined on a contract-by-contract basis and corresponds to the firm period of the commitment taking into account any optional periods that are reasonably certain to be exercised.

Practical example 5.2c:
PUBLICIS GROUPE S.A. (2018)

FRANCE

The transition method used consists in recognizing the cumulative effect of the initial application as an adjustment on opening equity, by considering that the right-of-use of the underlying asset is equal to the amount of the lease liability, adjusted by the amount of rents paid in advance as well as lease incentives received from the landlord and, where applicable, repair costs. The contractual rents corresponding to low unit value assets or to a short-term lease (less than 12 months) are recognized directly in expenses. In addition, the following practical expedients have been applied to the transition:

- contracts with residual terms of less than 12 months starting from January 1, 2018, are not accounted for as an asset and a debt;
- the discount rates applied as of the transition date are based on the Group's marginal borrowing rate plus a spread to take into account the specific economic environment of each country. These discount rates are determined with respect to the remaining terms of leases from the date of first-time application, namely January 1, 2018.

Practical example 5.2c:

PUBLICIS GROUPE S.A. (2018)

FRANCE

Note 3 IFRS 16 – Impact of the first-time application on the 2018 financial statements

The following tables present the impacts of the first application of IFRS 16 on the opening balance sheet:

(in millions of euros)	Information December 31, 2017 restated[(1)]	First-time application of IFRS 16	Information January 1, 2018 with IFRS 16
Assets			
Right-of-use assets related to leases	-	1,906	1,906
Property, plant and equipment, net	590	(43)	547
Other financial assets	169	23	192
Other non-current assets	9,768	-	9,768
Other receivables and current assets	649	(4)	645
Other current assets	12,604	-	12,604
Total assets	**23,780**	**1,882**	**25,662**
Equity and Liabilities			
Total shareholders' equity	**5,958**	**10**	**5,968**
Long-term borrowings	2,780	(89)	2,691
Long-term lease liabilities	-	1,681	1,681
Long-term provisions	415	(11)	404
Others	419	-	419
Non-current liabilities	**3,614**	**1,581**	**5,195**
Short-term lease liabilities		356	356
Short-term provisions	98	(4)	94
Other creditors and current liabilities	1,391	(61)	1,330
Others	12,719	-	12,719
Current liabilities	**14,208**	**291**	**14,499**
Total equity and liabilities	**23,780**	**1,882**	**25,662**

(1) In accordance with IFRS 15 and IFRIC 23 interpretation applied as of January 1, 2018, the comparative information for 2017 was restated.

The impacts of the first application of IFRS 16 on the opening balance sheet are the following:

- the accounting of the right-of-use assets and lease liabilities;
- the reclassification of recognized assets and liabilities related to existing financing leases as of December 31, 2017;
- the reclassification of lease incentive benefits in reduction to the right-of-use assets;
- the reclassification of provisions for vacant space provision in reduction of the right-of-use assets;
- the reclassification of rents paid in advance in addition to the right-of-use assets;
- the reclassification of right-of-use assets as financial assets in the case of sub-leases granted for the residual duration of the leases concerned. Moreover, the remeasurement of these receivables impacts opening equity in the case of subleases for an amount in excess of that of the main contract.

Practical example 5.2c:
PUBLICIS GROUPE S.A. (2018)

FRANCE

The following tables present the 2018 data as though the Group had continued to apply IAS 17:

/ Impacts on the consolidated balance sheet

(in millions of euros)	Information December 31, 2018 reported	IFRS 16 Impacts	Information December 31, 2018 with IAS 17	Information December 31, 2017 restated(1)
Assets				
Right-of-use assets related to leases	1,732	(1,732)	-	-
Property, plant and equipment, net	611	42	653	590
Deferred tax assets	150	(9)	141	130
Other financial assets	215	(19)	196	169
Other receivables and current assets	689	19	708	649
Assets held for sale	183	(24)	159	62
Others	23,500	2	23,502	22,180
Total assets	**27,080**	**(1,721)**	**25,359**	**23,780**
Equity and Liabilities				
Total shareholders' equity	**6,853**	**13**	**6,866**	**5,958**
Long-term borrowings	2,425	93	2,518	2,780
Long-term lease liabilities	1,648	(1,648)	-	-
Long-term provisions	384	9	393	415
Others	446	-	446	419
Non-current liabilities	**4,903**	**(1,546)**	**3,357**	**3,614**
Short-term lease liabilities	393	(393)	-	-
Short-term provisions	125	35	160	98
Other creditors and current liabilities	1,432	194	1,626	1,391
Liabilities held for sale	100	(26)	74	16
Others	13,274	2	13,276	12,703
Current liabilities	**15,324**	**(188)**	**15,136**	**14,208**
Total equity and liabilities	**27,080**	**(1,721)**	**25,359**	**23,780**

(1) In accordance with IFRS 15 and IFRIC 23 interpretation applied as of January 1, 2018, the comparative information for 2017 was restated.

/ Impacts on the consolidated income statement

(in millions of euros)	Information December 31, 2018 reported	IFRS 16 Impacts	Information December 31, 2018 with IAS 17	Information December 31, 2017 restated(1)
Revenue	**9,951**	**-**	**9,951**	**10,246**
Personnel expenses	(5,747)	-	(5,747)	(5,977)
Amortization expense (excluding intangibles arising from acquisitions)	(526)	375	(151)	(161)
Other operating expenses	(2,155)	(397)	(2,552)	(2,603)
Operating Margin	**1,523**	**(22)**	**1,501**	**1,505**
Operating Income	**1,303**	**(22)**	**1,281**	**1,316**
Cost of net financial debt	(11)	(11)	(22)	(51)
Revaluation of earn-out payments	(13)	-	(13)	(66)
Other financial income and expenses	(60)	66	6	(10)
Pre-tax income of consolidated companies	**1,219**	**33**	**1,252**	**1,189**
Income taxes	(285)	(8)	(293)	(312)
Net income of consolidated companies	**934**	**25**	**959**	**877**
Share of profit of associates	(4)	-	(4)	(5)
Net income	**930**	**25**	**955**	**872**
Of which:				
• net income from non-controlling interests	11	-	11	10
Group net income	**919**	**25**	**944**	**862**

(1) In accordance with IFRS 15 and IFRIC 23 interpretation applied as of January 1, 2018, the comparative information for 2017 was restated.

Practical example 5.2c:
PUBLICIS GROUPE S.A. (2018)

FRANCE

/ Impacts on the consolidated statement of cash flows

(in millions of euros)	Information December 31, 2018 reported	IFRS 16 impacts	Information December 31, 2018 with IAS 17[1]	Information December 31, 2017 restated[2]
December 31, 2018				
Cash flow from operating activities				
Net income	930	25	955	872
Neutralization of non-cash income and expenses:				
Income taxes	285	8	293	312
Cost of net financial debt	11	11	22	51
Depreciation, amortization and impairment loss	726	(463)	263	349
Other non-cash income and expenses	76	22	98	74
Others	(239)	-	(239)	(202)
Change in working capital requirements	153	(24)	129	69
Net cash flows generated by (used in) operating activities (I)	**1,942**	**(421)**	**1,521**	**1,525**
Cash flow from investing activities				
Net cash flows generated by (used in) investing activities(II)	**(448)**	**-**	**(448)**	**(417)**
Cash flow from financing activities				
Repayment of lease liabilities	(374)	374	-	-
Interest paid on lease liabilities	(58)	58	-	-
Financial interest paid	(69)	(11)	(80)	(90)
Others	(314)	-	(314)	(462)
Net cash flows generated by (used in) financing activities (III)	**(815)**	**421**	**(394)**	**(552)**
Impact of exchange rate fluctuations (IV)	**133**	**-**	**133**	**(379)**
Change in consolidated cash and cash equivalents (I + II + III + IV)	**812**	**-**	**812**	**177**

(1) Starting from January 1, 2018, the financial interest has been reclassified to the net cash-flow from financing activities.
(2) In accordance with IFRS 15 and IFRIC 23 interpretation applied as of January 1, 2018, the comparative information for 2017 was restated.

/ Reconciliation of lease liabilities on the date of transition with Off-Statement of Financial Position commitments at December 31, 2017

(in millions of euros)	
Commitments given under operating leases at December 31, 2017[1]	**2,247**
Effects of optional periods not factored into off-statement of financial position commitments	75
Effects of delay in availability date	(223)
Effects of short-term leases not recognized under lease liabilities at January 1, 2018	(15)
Other effects	81
Lease liabilities before discounting	**2,165**
Effect of discounting	(217)
Lease liabilities after discounting	**1,948**
Existing finance leases	**89**
Lease liabilities at January 1, 2018 after first-time application of IFRS 16	**2,037**

(1) Commitments given at December 31, 2017, included €1,982 million under operating leases and €265 million in minimum fees guaranteed under advertising space agreements.

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.

Practical examples of disclosures: International Consolidated Airlines Group

International Consolidated Airlines Group adopted IFRS 16 with an initial application date of 1 January 2019. It applied the modified retrospective transition method and thus prior comparatives were not restated. The entity elected to apply the recognition exemptions for leases for which the lease term ends within 12 months of the date of initial application 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. The entity disclosed the amount of adjustment, on a line-by-line basis, in the balance sheet on the date of initial application.

Practical example 5.3a:
International Consolidated Airlines Group (2019, H1)

SPAIN

2. ACCOUNTING POLICIES

Changes to accounting policies

IFRS 16 'Leases' was adopted by the Group on January 1, 2019. The new standard eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model.

The main changes arising on adoption of IFRS 16 were as follows:

1. Interest-bearing borrowings and non-current assets increased on implementation of the standard as obligations to make future payments under leases previously classified as operating leases were recognised on the Balance sheet, along with the related 'right of use' (ROU) asset. The Group has used the practical expedients in respect of leases of less than 12 months duration and leases for low value items and excluded them from the scope of IFRS 16. Rental payments associated with these leases are recognised in the Income statement on a straight-line basis over the life of the lease. No adjustment has been made to the recognition and measurement of assets previously recognised as 'finance leases' under IAS 17 which were transferred to ROU assets on adoption of IFRS 16, with the related borrowings transferred to ROU lease liabilities.

2. Expenditure on operations has decreased and finance costs have increased, as operating lease costs have been replaced by depreciation and lease interest expense.

3. The adoption of IFRS 16 required the Group to make a number of judgements, estimates and assumptions. These included:

• The approach to be adopted on transition - The Group used the modified retrospective transition approach. Lease liabilities were determined based on the value of the remaining lease payments, discounted by the appropriate incremental borrowing rates and translated at the rates of exchange at the date of transition (January 1, 2019). ROU assets in respect of aircraft were measured as if IFRS 16 had been applied at the commencement date of each lease using the appropriate incremental borrowing rates at the date of transition and rates of exchange at the commencement of each lease, and depreciated to January 1, 2019. Other ROU assets were measured based on the related lease liability as at the date of transition, adjusted for prepaid or accrued lease payments. Deferred gains on sale and operating leasebacks, previously recognised in current and non-current liabilities, were reclassified to the related ROU asset. IFRS 16 does not allow comparative information to be restated if the modified retrospective transition approach is used.

• The estimated lease term - The term of each lease was based on the original lease term unless management was 'reasonably certain' to exercise options to extend the lease. Further information used to determine the appropriate lease term included fleet plans which underpin approved business plans, and historic experience regarding extension options.

• The discount rate used to determine the lease liability - The rates used on transition to discount future lease payments were the Group's incremental borrowing rates. These rates have been calculated for each airline, reflecting the underlying lease terms and based on observable inputs. The risk-free rate component was based on LIBOR rates available in the same currency and over the same term as the lease and was adjusted for credit risk. For future aircraft lease obligations, the Group will use the interest rate implicit in the lease.

• Terminal arrangements - The Group has reviewed its arrangements at airport terminals to determine whether any agreements previously considered to be service agreements should be classified as leases. No additional leases have been identified.

• Restoration obligations - The Group has identified certain obligations associated with the maintenance condition of its aircraft on redelivery to the lessor, such as the requirement to complete a final airframe check, repaint the aircraft and reconfigure the cabin. Under IAS 17 these costs were recognised as a maintenance expense over the lease term. On adoption of IFRS 16, they were recognised as part of the ROU asset on transition, resulting in an increase in restoration and handback provisions. Judgement has been used to identify the appropriate obligations and estimation has been used (based on observable data) to measure them. Other maintenance obligations associated with these assets, comprising obligations that arise as the aircraft is utilised, such as engine overhauls and periodic airframe checks, are recognised as a maintenance expense over the lease term.

4. The above adjustments resulted in a post-tax charge to equity of €550 million.

5. Foreign currency balances on lease obligations, which are predominantly denominated in US dollars, are remeasured at each balance sheet date, with the ROU asset recognised at the historic exchange rate. The Group manages foreign exchange risk arising on these US dollar obligations as part of its risk management strategy.

The following table reconciles the amount disclosed as operating lease commitments at December 31, 2018 disclosed in the Group's 2018 consolidated financial statements to the amount recognised on the Balance sheet in respect of ROU lease liabilities on adoption of IFRS 16.

€ million	
Operating lease commitments at December 31, 2018	**8,664**
Weighted average incremental borrowing rate at January 1, 2019	**6.2%**
Operating lease commitments discounted using the weighted average incremental borrowing rate	**5,612**
Less:	
Leases considered to be short-term (less than 12 months duration)	**(61)**
Leases for assets considered to be substitutable	**(66)**
Future variable payments based on an index or rate	**(140)**
Prepayments	**(11)**
Commitments for leases that had not commenced on December 31, 2018	**(459)**
Add:	
Service contracts	**232**
Residual value guarantees	**61**
Rentals associated with extension options reasonably certain to be exercised	**27**
Right of use lease liability recognised at January 1, 2019	**5,195**
Reclassification from finance lease obligations	**5,928**
Right of use lease liability at January 1, 2019	**11,123**

Practical example 5.3a:

International Consolidated Airlines Group (2019, H1) (cont'd)

SPAIN

The Group recognised the following assets and liabilities on the Consolidated balance sheet at January 1, 2019 on adoption of IFRS 16:

Consolidated balance sheet (extract as at January 1, 2019)

€ million	As reported	IFRS 16 adjustments	Restated
Non-current assets			
Property, plant and equipment			
Fleet	10,790	3,730	**14,520**
Property and equipment	1,647	755	**2,402**
Deferred tax assets	536	130	**666**
Other non-current assets	4,968	-	**4,968**
	17,941	**4,615**	**22,556**
Current assets			
Other current assets	10,093	(35)	**10,058**
	10,093	**(35)**	**10,058**
Total assets	**28,034**	**4,580**	**32,614**
Total equity	**6,720**	**(550)**	**6,170**
Non-current liabilities			
Interest-bearing long-term borrowings	6,633	4,315	**10,948**
Deferred tax liability	453	(40)	**413**
Provisions for liabilities and charges	2,268	120	**2,388**
Other non-current liabilities	910	(125)	**785**
	10,264	**4,270**	**14,534**
Current liabilities			
Current portion of long-term borrowings	876	880	**1,756**
Other current liabilities	10,174	(20)	**10,154**
	11,050	**860**	**11,910**
Total liabilities	**21,314**	**5,130**	**26,444**
Total equity and liabilities	**28,034**	**4,580**	**32,614**

Practical examples of disclosures: Tesco Plc

As disclosed in section 4.3, Tesco Plc adopted IFRS 16 with an initial application date of 24 February 2019. It applied the full retrospective transition method. The amounts disclosed in the extract are expressed in British pounds and presented in millions. Tesco elected to apply the practical expedients in IFRS 16 for short-term leases and leases for which the underlying asset is of low value. It also 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, but instead to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. In its interim report for the first half year ended 25 August 2019, Tesco explained the changes in accounting standards arising from the adoption of 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 separately from the effect of adopting other new accounting standards.

Practical example 5.3b: Tesco Plc (2019, H1)

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Note 22 Changes in accounting policies – IFRS 16 'Leases'

This note explains the impact of the adoption of IFRS 16 'Leases' on the Group's financial position and financial performance.

IFRS 16 is effective for the accounting period commencing 24 February 2019. The Group adopted the standard retrospectively, with comparatives restated from a transition date of 25 February 2018.

IFRS 16 requires lessees to recognise right of use assets and lease liabilities on balance sheet for all leases, except short-term and low value asset leases. At commencement of the lease, the lease liability equals the present value of future lease payments, and the right of use asset equals the lease liability, adjusted for payments already made, lease incentives, initial direct costs and any provision for dilapidation costs.

For pre-IFRS 16 operating leases, the rental charge is replaced by depreciation of the right of use asset and interest on the lease liability.

IFRS 16 therefore results in an increase to operating profit, which is reported prior to interest being deducted. Depreciation is charged on a straight-line basis, however, interest is charged on outstanding lease liabilities and therefore reduces over the life of the lease. As a result, the impact on the income statement below operating profit is highly dependent on average lease maturity. For an immature portfolio, depreciation and interest are higher than the rental charge they replace and therefore IFRS 16 is dilutive to EPS. For a mature portfolio, they are lower and therefore IFRS 16 is accretive. The Group's lease portfolio on transition is relatively immature, being approximately one-third through an average total lease term of 26 years.

Under IFRS 16, the lease liability is remeasured upon the occurrence of certain events, such as a change in lease term or a change in future lease payments resulting from a change in an index or rate (for example, inflation-linked payments or market rate rent reviews). A corresponding adjustment is made to the right of use asset. Over three-quarters of the Group's lease liability on transition is subject to inflation-linked rental uplifts. The Group no longer recognises property provisions for onerous lease contracts as the lease payments are included within the lease liability.

The Group applied the practical expedient not to reassess whether a contract is, or contains, a lease on transition. The Group has elected to recognise payments for short-term leases and leases of low value assets on a straight-line basis as an expense in the income statement.

IFRS 16 has not had a significant impact on the Group's existing finance leases or on leases in which the Group is a lessor.

The most significant IFRS 16 judgements and estimates include the determination of lease term when there are extension or termination options, the selection of an appropriate discount rate to calculate the lease liability and the impairment of right of use assets. See Note 1 for further information.

The Group's lease portfolio consists of retail, distribution and office properties and other assets such as motor vehicles.

IFRS 16 has a significant impact on reported assets, liabilities and the income statement of the Group, as well as the classification of cash flows relating to lease contracts. The standard impacts a number of key measures such as operating profit and cash generated from operations, as well as a number of alternative performance measures used by the Group. Further details on the impact of IFRS 16 can be found in the Group's 'Introducing IFRS 16' analyst and investor briefing held on 15 February 2019 and available on www.tescoplc.com/investors/reports-results-and-presentations.

Balance sheet restatement

The tables below set out the impact of IFRS 16 on the transition balance sheet at 24 February 2018 and on the comparative period balance sheets as at 25 August 2018 and 23 February 2019 and related debt measures. Right of use assets (net of any impairments) and lease liabilities are presented separately on the face of the balance sheet. Net debt, which includes lease liabilities, increases. Total indebtedness also increases as the IFRS 16 lease liability exceeds the discounted operating lease commitments previously included. Provisions decrease as onerous lease provisions are replaced by impairments of the right of use assets. Trade and other payables reduce as accruals for straight line rental expense on leases with fixed rent increases are eliminated. Trade and other receivables also reduce as lease prepayments are eliminated. A deferred tax asset is recognised on the transition adjustment.

The following footnotes relate to the balance sheet restatement tables presented below:

[a] The estimated impact of adopting IFRS 16 on the Group's Gain Land Limited associate has been updated to reflect new, more detailed, information received.

[b] Net debt comprises bank and other borrowings, lease liabilities, net derivative financial instruments, joint venture loans and other receivables/payables, offset by cash and cash equivalents and short-term investments. It excludes the net debt of Tesco bank, which has lease liabilities of £36m as at 24 February 2018, £35m as at 25 August 2018 and £35m as at 23 February 2019.

[c] Total indebtedness pre-IFRS 16 comprises Net debt plus the IAS 19 deficit in the pension schemes (net of associated deferred tax) plus the present value of future minimum lease payments under non-cancellable operating leases. Post-IFRS 16, lease liabilities are included in Net debt, replacing the present value of future minimum lease payments under non-cancellable operating leases.

Practical example 5.3b: Tesco Plc (2019, H1) (cont'd)

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Balance sheet restatement continued

	As at 24 February 2018		
	Reported £m	IFRS 16 impact £m	Restated £m
Non-current assets			
Goodwill and other intangible assets	2,661	-	2,661
Property, plant and equipment	18,521	191	18,712
Right of use assets	-	7,527	7,527
Investment property	100	-	100
Investments in joint ventures and associates[a]	689	(92)	597
Financial assets at fair value through other comprehensive income	860	-	860
Trade and other receivables	186	31	217
Loans and advances to customers and banks	6,885	-	6,885
Derivative financial instruments	1,117	-	1,117
Deferred tax assets	116	285	401
	31,135	**7,942**	**39,077**
Current assets			
Financial assets at fair value through other comprehensive income	68	-	68
Inventories	2,264	-	2,264
Trade and other receivables	1,504	(89)	1,415
Loans and advances to customers and banks	4,637	-	4,637
Derivative financial instruments	27	-	27
Current tax assets	12	-	12
Short-term investments	1,029	-	1,029
Cash and cash equivalents	4,059	-	4,059
	13,600	**(89)**	**13,511**
Assets classified as held for sale	149	-	149
	13,749	**(89)**	**13,660**
Current liabilities			
Trade and other payables	(8,994)	221	(8,773)
Borrowings	(1,479)	12	(1,467)
Lease liabilities	-	(712)	(712)
Derivative financial instruments	(69)	-	(69)
Customer deposits and deposits from banks	(7,812)	-	(7,812)
Current tax liabilities	(335)	-	(335)
Provisions	(544)	128	(416)
	(19,233)	**(351)**	**(19,584)**
Net current liabilities	**(5,484)**	**(440)**	**(5,924)**
Non-current liabilities			
Trade and other payables	(364)	-	(364)
Borrowings	(7,142)	110	(7,032)
Lease liabilities	-	(9,560)	(9,560)
Derivative financial instruments	(594)	-	(594)
Customer deposits and deposits from banks	(2,972)	-	(2,972)
Post-employment benefit obligations	(3,282)	-	(3,282)
Deferred tax liabilities	(96)	14	(82)
Provisions	(721)	592	(129)
	(15,171)	**(8,844)**	**(24,015)**
Net assets	**10,480**	**(1,342)**	**9,138**
Equity			
Share capital	410	-	410
Share premium	5,107	-	5,107
All other reserves	735	(18)	717
Retained earnings	4,250	(1,324)	2,926
Equity attributable to owners of the parent	**10,502**	**(1,342)**	**9,160**
Non-controlling interests	(22)	-	(22)
Total equity	**10,480**	**(1,342)**	**9,138**
KPIs and APMs			
Net debt[b]	(2,625)	(10,114)	(12,739)
Total indebtedness[c]	(12,284)	(3,183)	(15,467)

Practical example 5.3b: Tesco Plc (2019, H1 interim report) (cont'd)

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Balance sheet restatement continued	As at 23 February 2019			As at 25 August 2018		
	Reported £m	IFRS 16 impact £m	Restated £m	Reported £m	IFRS 16 impact £m	Restated £m
Non-current assets						
Goodwill and other intangible assets	6,264	-	6,264	6,463	(10)	6,453
Property, plant and equipment	19,023	163	19,186	18,808	145	18,953
Right of use assets	-	7,713	7,713	-	7,878	7,878
Investment property	36	-	36	92	-	92
Investments in joint ventures and associates [a]	704	(102)	602	702	(102)	600
Financial assets at fair value through other comprehensive income	979	-	979	648	-	648
Trade and other receivables	195	48	243	169	52	221
Loans and advances to customers and banks	7,868	-	7,868	7,547	-	7,547
Derivative financial instruments	1,178	-	1,178	1,199	-	1,199
Deferred tax assets	132	119	251	137	59	196
	36,379	**7,941**	**44,320**	**35,765**	**8,022**	**43,787**
Current assets						
Financial assets at fair value through other comprehensive income	67	-	67	42	-	42
Inventories	2,617	-	2,617	2,821	-	2,821
Trade and other receivables	1,640	(90)	1,550	1,608	(113)	1,495
Loans and advances to customers and banks	4,882	-	4,882	4,846	-	4,846
Derivative financial instruments	52	-	52	194	-	194
Current tax assets	6	-	6	-	-	-
Short-term investments	390	-	390	760	-	760
Cash and cash equivalents	2,916	-	2,916	3,243	-	3,243
	12,570	**(90)**	**12,480**	**13,514**	**(113)**	**13,401**
Assets classified as held for sale	98	-	98	123	-	123
	12,668	**(90)**	**12,578**	**13,637**	**(113)**	**13,524**
Current liabilities						
Trade and other payables	(9,354)	223	(9,131)	(9,749)	240	(9,509)
Borrowings	(1,599)	36	(1,563)	(2,534)	14	(2,520)
Lease liabilities	-	(646)	(646)	-	(712)	(712)
Derivative financial instruments	(250)	-	(250)	(117)	-	(117)
Customer deposits and deposits from banks	(8,832)	-	(8,832)	(8,842)	-	(8,842)
Current tax liabilities	(325)	-	(325)	(333)	-	(333)
Provisions	(320)	94	(226)	(465)	117	(348)
	(20,680)	**(293)**	**(20,973)**	**(22,040)**	**(341)**	**(22,381)**
Net current liabilities	**(8,012)**	**(383)**	**(8,395)**	**(8,403)**	**(454)**	**(8,857)**
Non-current liabilities						
Trade and other payables	(384)	19	(365)	(399)	19	(380)
Borrowings	(5,673)	93	(5,580)	(5,403)	111	(5,292)
Lease liabilities	-	(9,859)	(9,859)	-	(9,975)	(9,975)
Derivative financial instruments	(389)	-	(389)	(522)	-	(522)
Customer deposits and deposits from banks	(3,296)	-	(3,296)	(3,041)	-	(3,041)
Post-employment benefit obligations	(2,808)	-	(2,808)	(2,574)	-	(2,574)
Deferred tax liabilities	(236)	187	(49)	(311)	253	(58)
Provisions	(747)	600	(147)	(739)	579	(160)
	(13,533)	**(8,960)**	**(22,493)**	**(12,989)**	**(9,013)**	**(22,002)**
Net assets	**14,834**	**(1,402)**	**13,432**	**14,373**	**(1,445)**	**12,928**
Equity						
Share capital	490	-	490	490	-	490
Share premium	5,165	-	5,165	5,163	-	5,163
All other reserves	3,798	(28)	3,770	3,854	(33)	3,821
Retained earnings	5,405	(1,374)	4,031	4,887	(1,412)	3,475
Equity attributable to owners of the parent	**14,858**	**(1,402)**	**13,456**	**14,394**	**(1,445)**	**12,949**
Non-controlling interests	(24)	-	(24)	(21)	-	(21)
Total equity	**14,834**	**(1,402)**	**13,432**	**14,373**	**(1,445)**	**12,928**
KPIs and APMs						
Net debt[b]	(2,863)	(10,341)	(13,204)	(3,126)	(10,527)	(13,653)
Total indebtedness[c]	(12,200)	(3,342)	(15,542)	(12,472)	(3,325)	(15,797)

Practical example 5.3b:
Tesco Plc (2019, H1 interim report) (cont'd)

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Cash flow statement restatement

The table below sets out the impact of IFRS 16 on the comparative period cash flow statement for the 26 weeks ended 25 August 2018 and related APMs. IFRS 16 has no impact on total cash flow for the period or cash and cash equivalents at the end of the period. Cash generated from operations and free cash flow measures increase as operating lease rental expenses are no longer recognised as operating cash outflows. Cash outflows are instead split between interest paid and repayments of obligations under leases, which both increase.

Cash flow statement restatement for the 26 weeks ended 25 August 2018

	Retail			Tesco Bank			Tesco Group		
26 weeks ended 25 August 2018	Retail (reported) £m	IFRS 16 impact £m	Retail (restated) £m	Tesco Bank (reported) £m	IFRS 16 impact £m	Tesco Bank (restated) £m	Total Group (reported) £m	IFRS 16 impact £m	Total Group (restated) £m
Operating profit/(loss)	**751**	**187**	**938**	**68**	**1**	**69**	**819**	**188**	**1,007**
Depreciation and amortisation	636	339	975	43	1	44	679	340	1,019
ATM net income	(18)	-	(18)	18	-	18	-	-	-
(Profit)/loss arising on sale of property, plant and equipment and intangible assets, and early termination of leases	(12)	(9)	(21)	-	-	-	(12)	(9)	(21)
(Profit)/loss arising on sale of subsidiaries and financial assets at fair value through other comprehensive income	(7)	-	(7)	(8)	-	(8)	(15)	-	(15)
Net impairment loss/(reversal) on property, plant and equipment, right of use assets, intangible assets and investment property	4	-	4	-	-	-	4	-	4
Adjustment for non-cash element of pensions charge	2	-	2	-	-	-	2	-	2
Other defined benefit pension scheme payments	(142)	-	(142)	-	-	-	(142)	-	(142)
Share-based payments	33	-	33	1	-	1	34	-	34
Tesco Bank fair value movements included in operating profit/(loss)	-	-	-	55	-	55	55	-	55
Cash flows generated from operations excluding working capital	**1,247**	**517**	**1,764**	**177**	**2**	**179**	**1,424**	**519**	**1,943**
(Increase)/decrease in working capital	(124)	49	(75)	(59)	-	(59)	(183)	49	(134)
Cash flows generated from/(used in) operations	**1,123**	**566**	**1,689**	**118**	**2**	**120**	**1,241**	**568**	**1,809**
Interest paid	(185)	(288)	(473)	(2)	(1)	(3)	(187)	(289)	(476)
Corporation tax (paid)/received	(109)	-	(109)	(35)	-	(35)	(144)	-	(144)
Net cash generated from/(used in) operating activities	**829**	**278**	**1,107**	**81**	**1**	**82**	**910**	**279**	**1,189**

Cash flow statement restatement for the 26 weeks ended 25 August 2018 continued

	Retail			Tesco Bank			Total Group		
26 weeks ended 25 August 2018	Retail (reported) £m	IFRS 16 impact £m	Retail (restated) £m	Tesco Bank (reported) £m	IFRS 16 impact £m	Tesco Bank (restated) £m	Total Group (reported) £m	IFRS 16 impact £m	Total Group (restated) £m
Proceeds from the sale of property, plant and equipment, investment property, intangible assets and non-current assets classified as held for sale	134	-	134	-	-	-	134	-	134
Purchase of property, plant and equipment and investment property – store buy backs	(35)	-	(35)	-	-	-	(35)	-	(35)
Purchase of property, plant and equipment and investment property – other capital expenditure	(388)	-	(388)	(2)	-	(2)	(390)	-	(390)
Purchase of intangible assets	(71)	-	(71)	(13)	-	(13)	(84)	-	(84)
Disposal of subsidiaries, net of cash disposed	8	-	8	-	-	-	8	-	8
Acquisition of subsidiaries, net of cash acquired	(715)	-	(715)	-	-	-	(715)	-	(715)
Net (increase)/decrease in loans to joint ventures and associates	-	-	-	5	-	5	5	-	5
Net (investments in)/proceeds from sale of short-term investments	269	-	269	-	-	-	269	-	269
Net (investments in)/proceeds from the sale of financial assets at fair value through other comprehensive income	-	-	-	235	-	235	235	-	235
Dividends received from joint ventures and associates	14	-	14	10	-	10	24	-	24
Interest received	20	2	22	-	-	-	20	2	22
Net cash generated from/(used in) investing activities	**(764)**	**2**	**(762)**	**235**	**-**	**235**	**(529)**	**2**	**(527)**

Practical example 5.3b:
Tesco Plc (2019, H1 interim report) (cont'd)

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Cash flow statement restatement for the 26 weeks ended 25 August 2018 continued

26 weeks ended 25 August 2018	Retail (reported) £m	Retail IFRS 16 impact £m	Retail (restated) £m	Tesco Bank (reported) £m	Tesco Bank IFRS 16 impact £m	Tesco Bank (restated) £m	Total Group (reported) £m	Total Group IFRS 16 impact £m	Total Group (restated) £m
Proceeds from issue of ordinary share capital	58	-	58	-	-	-	58	-	58
Own shares purchased	(197)	-	(197)	-	-	-	(197)	-	(197)
Repayment of obligations under leases	(7)	(280)	(287)	-	(1)	(1)	(7)	(281)	(288)
Add: Cash outflow from major acquisition	747	-	747	-	-	-	747	-	747
Less: Net increase/(decrease) in loans to joint ventures and associates	-	-	-	(5)	-	(5)	(5)	-	(5)
Less: Net investments in/(proceeds from sale of) short-term investments	(269)	-	(269)	-	-	-	(269)	-	(269)
APM: Free cash flow*	**397**	**-**	**397**	**311**	**-**	**311**	**708**	**-**	**708**
Increase in borrowings	266	-	266	-	-	-	266	-	266
Repayment of borrowings	(714)	-	(714)	(425)	-	(425)	(1,139)	-	(1,139)
Net cash flows from derivative financial instruments	(15)	-	(15)	-	-	-	(15)	-	(15)
Dividends paid to equity owners	(195)	-	(195)	-	-	-	(195)	-	(195)
Net cash generated from/(used in) financing activities	**(804)**	**(280)**	**(1,084)**	**(425)**	**(1)**	**(426)**	**(1,229)**	**(281)**	**(1,510)**
Intra-Group funding and intercompany transactions	**(12)**	**-**	**(12)**	**12**	**-**	**12**	**-**	**-**	**-**
Net increase/(decrease) in cash and cash equivalents	**(751)**	**-**	**(751)**	**(97)**	**-**	**(97)**	**(848)**	**-**	**(848)**
Cash and cash equivalents at the beginning of the period			2,755			1,304			4,059
Effect of foreign exchange rate changes			32			-			32
Cash and cash equivalents at the end of the period			**2,036**			**1,207**			**3,243**

* Free cash flow has been redefined to include 'Repayments of obligations under leases' due to IFRS 16. This results in a minor adjustment of £7m, restating previously reported Retail Free cash flow of £404m to £397m. There is no overall impact to cash and cash equivalents at the end of the period.

Practical examples of disclosures: A.P. Møller - Mærsk A/S

A.P. Møller - Mærsk A/S adopted IFRS 16 with an initial application date of 1 January 2019. It applied the modified retrospective transition method, thus, prior comparatives were not restated. The entity elected to apply 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 US dollars and presented in millions.

Practical example 5.3c:
A.P. Moller - Maersk (2019, H1)

DENMARK

Note 5 Accounting policies, judgements and significant estimates

Leases (IFRS 16)
Effective 1 January 2019, A.P. Moller - Maersk applied the new reporting standard on Leases, IFRS 16. All leases are recognised as right-of-use assets with corresponding lease liabilities at the date on which the leased asset is available for use by A.P. Moller - Maersk.

Each lease payment is allocated between a reduction of the liability and an interest expense. The interest expense is charged to the income statement over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

A.P. Moller - Maersk transitioned to IFRS 16 in accordance with the modified retrospective approach, therefore previous period comparative figures will not be adjusted in the financial statements. Additionally, the definition of a lease under IAS 17 and its related interpretations has been retained.

Leases classified as finance leases at 31 December 2018 were transitioned to IFRS 16 at their carrying amount of USD 2.3bn.

At 31 December 2018, A.P. Moller - Maersk had non-cancellable operating lease commitments of USD 12.0bn. As part of the transition, A.P. Moller - Maersk applied the following adjustments before discounting lease payments:

- Service components included in the pricing of vessel charter fees are not included as part of the lease liability. These costs will be recognised in the income statement as incurred.
- Terminal concession agreements to which A.P. Moller - Maersk is committed, but which will only begin operations during Q1 2019 or later are not capitalised at transition.
- A.P. Moller - Maersk will not apply the new standard to leases with a remaining term of 12 months or less from 1 January 2019. Additionally, leases with maximum lease term less than 12 months are exempted from provisions of the new standard.

The table below bridges operating lease commitments related to continuing operations to IFRS 16 lease liabilities on 1 January 2019:

Reconciliation of commitments to lease liability	(USDm)
Operating lease obligations (continuing operations)	12,041
Adjustment for commitments not yet commenced	-2,240
Adjustments for service components	-1,266
Optional period payments	758
Other adjustments	-283
Undiscounted lease liabilities	**9,010**
Discounting effect	2,766
Lease liability	**6,245**

A weighted average incremental borrowing rate of 6.6% was applied. The incremental borrowing rate was based on reference interest rates derived for a period up to 10 years based on corporate bond yields in major currencies, i.e. USD, EUR and SEK.

On transition, A.P. Moller - Maersk's opening balance of gross debt increased by USD 6.2bn to USD 18.1bn, while property, plant and equipment increased to USD 37.2bn. The increase in property, plant and equipment of USD 6.1bn mainly related to Vessels (USD 2.5bn) and Terminal rights (USD 2.3bn).

In connection with the transition to the new standard management has applied judgement and formed assumptions in relation to assessing the incremental borrowing rate, service components and extension options of leasing arrangements. Management has formed its judgements and assumptions based on historical experience, internal and external data points.

Appendix A: Extracts from EY's IFRS Disclosure Checklist

		Disclosure made		
		Yes	No	N/A
	Leases			
	IFRS 16 *Leases* is effective for annual periods beginning on or after 1 January 2019.			
	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 the practical expedient in IFRS 16.C3, does it disclose that fact	☐	☐	☐
IFRS 16.C4	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.C3	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.C2	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 *IFRS 16.C5(b)* *IAS 8.28*	Instead of the information specified in IAS 8.28(f), does the entity (a lessee) disclose:			
IFRS 16.C12	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			
	► 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.C10	If the entity (a lessee) uses one or more of the specified practical expedients in IFRS 16.C10, does it disclose that fact	☐	☐	☐
IFRS 16.C13	**Presentation and disclosures by lessees**			
	Presentation			
	Does the entity present in the statement of financial position (or disclose in the notes) right-of-use assets separately from other assets	☐	☐	☐

		Disclosure made		
		Yes	No	N/A
IFRS 16.47(a)	The requirement in IFRS 16.47(a) does not apply to right-of-use assets that meet the definition of investment property,			
IFRS 16.48	which must be presented in the statement of financial position as investment property. If the entity does not present right-of-use assets separately in the statement of financial position, does it:			
IFRS 16.47(a)	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	☐	☐	☐
	Does the entity:			
IFRS 16.47(b)	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	☐	☐	☐
	► 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 16.49	In the statement of cash flows, does the entity classify:			
IFRS 16.50	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			
	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 16.51 *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.			
	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 16.52	Does the entity disclose the following amounts for the reporting period:			
IFRS 16.53	Depreciation charge for right-of-use assets by class of underlying asset	☐	☐	☐
	a. Interest expense on lease liabilities	☐	☐	☐
	b. The expense relating to short-term leases accounted for under IFRS 16.6	☐	☐	☐
	c. This expense need not include the expense relating to leases with a lease term of one month or less.			

Reference	Requirement	Yes	No	N/A
	The expense relating to leases of low-value assets accounted for under IFRS 16.6	☐	☐	☐
IFRS 16.6	d. This expense must not include the expense relating to short-term leases of low-value assets included in IFRS 16.53(c).			
	The expense relating to variable lease payments not included in the measurement of lease liabilities	☐	☐	☐
	e. Income from subleasing right-of-use assets	☐	☐	☐
	f. Total cash outflow for leases	☐	☐	☐
	g. Additions to right-of-use assets	☐	☐	☐
	h. Gains or losses arising from sale and leaseback transactions	☐	☐	☐
	i. The carrying amount of right-of-use assets at the end of the reporting period by class of underlying asset	☐	☐	☐
	j. An entity must provide the disclosures specified in IFRS 16.53 in a tabular format, unless another format is more appropriate.			
IFRS 16.54	The amounts disclosed must include costs that a lessee has included in the carrying amount of another asset during the reporting period. 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	☐	☐	☐
	If right-of-use assets meet the definition of investment property, does the entity apply the disclosure requirements in IAS 40	☐	☐	☐
IFRS 16.55 *IFRS 16.6*	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 16.56	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	☐	☐	☐
	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 16.57 *IAS 16.77*	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 inforsmation may include, but is not limited to, information that helps users of financial statements to assess:			
IFRS 16.58 *IFRS 7.39* *IFRS 7.B11*	The nature of the lessee's leasing activities	☐	☐	☐
IFRS 16.59 *IFRS 16.B48*	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:			
	a. Variable lease payments	☐	☐	☐
	b. Extension options and termination options	☐	☐	☐
IFRS 16.B49	► Residual value guarantees	☐	☐	☐
IFRS 16.B50	► Leases not yet commenced to which the lessee is committed	☐	☐	☐
IFRS 16.B51	► Restrictions or covenants imposed by leases	☐	☐	☐
	► Sale and leaseback transactions	☐	☐	☐
	In determining whether additional information about leasing activities is necessary to meet the disclosure objective in IFRS 16.51, the entity must consider:			

		Disclosure made		
		Yes	No	N/A
	c. Whether that information is relevant to users of financial statements. The entity (lessee) must provide the additional			
IFRS 16.B52	d. information specified in IFRS 16.59 only if that information is expected to be relevant to users of financial statements			
IFRS 16.B48-52	a. 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 b. 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 c. 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	☐	☐	☐
	Presentation and disclosures by lessors			
IAS 40.84B	**Presentation**			
IFRS 16.C1	Does the entity present assets held under a finance lease in the statement of financial position as a receivable at an amount equal to the net investment in the lease	☐	☐	☐
IFRS 16.C4	Does the entity present underlying assets subject to operating leases in its statement of financial position according to the nature of the underlying asset	☐	☐	☐
IFRS 16.C3	**General disclosures**			
IFRS 16.C2	The objective of the disclosures is for lessors 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 lessor.			
IFRS 16.C12 *IFRS 16.C5(b)* *IAS 8.28*	IFRS 16.90–97 specifies the requirements for how to meet this objective.			
IFRS 16.C12	Does the entity disclose the following amounts for the reporting period:			
	a. For finance leases:			
	Selling profit or loss	☐	☐	☐
	► Finance income on the net investment in the lease	☐	☐	☐
	► Income relating to variable lease payments not included in the measurement of the net investment in the lease	☐	☐	☐
IFRS 16.C10	b. For operating leases, lease income, separately disclosing income relating to variable lease payments that do not depend on an index or a rate	☐	☐	☐
IFRS 16.C13	An entity must provide the disclosures specified in IFRS 16.90 in a tabular format, unless another format is more appropriate.			
	Does the entity disclose additional qualitative and quantitative information about its leasing activities necessary to meet the disclosure objective in IFRS 16.89 that includes, but is not limited to, information that helps users of financial statements to assess:			
	a. The nature of the entity's (lessor's) leasing activities	☐	☐	☐

		Disclosure made		
		Yes	No	N/A
IFRS 16.47(a)	b. How the entity (lessor) manages the risk associated with any rights it retains in underlying assets. In particular, the entity must disclose its risk management strategy for the rights it retains in underlying assets, including any means by which it reduces that risk	☐	☐	☐
IFRS 16.48	Such means may include, for example, buy-back agreements, residual value guarantees or variable lease payments for use in excess of specified limits. **Finance leases**			
IFRS 16.47(a)	Does the entity provide a qualitative and quantitative explanation of the significant changes in the carrying amount of the net investment in finance leases	☐	☐	☐
	Does the entity disclose a maturity analysis of the lease payments receivable, showing the undiscounted lease payments to be received on an annual basis for a minimum of each of the first five years and a total of the amounts for the remaining years	☐	☐	☐
	Does the entity reconcile the undiscounted lease payments to the net investment in the lease. The reconciliation must identify the unearned finance income relating to the lease payments receivable and any discounted unguaranteed residual value	☐	☐	☐
IFRS 16.47(b)	**Operating leases**			
	► For items of property, plant and equipment subject to an operating lease, does the entity apply the disclosure requirements in IAS 16	☐	☐	☐
	In applying the disclosure requirements in IAS 16, an entity must disaggregate each class of property, plant and equipment into assets subject to operating leases and assets not subject to operating leases. Accordingly, an entity must provide the disclosures required by IAS 16 for assets subject to an operating lease (by class of underlying asset) separately from owned assets held and used by the entity.			
	► Does the entity apply the disclosure requirements in IAS 36, IAS 38, IAS 40 and IAS 41 for assets subject to operating leases	☐	☐	☐
IFRS 16.49	Does the entity disclose a maturity analysis of lease payments, showing the undiscounted lease payments to be received on an annual basis for a minimum of each of the first five years and a total of the amounts for the remaining years	☐	☐	☐

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