

25 November 2019

Sue Lloyd
Chair
IFRS Interpretations Committee
Columbus Building
7 Westferry Circus
Canary Wharf
London
United Kingdom
E14 4HD

Dear Ms Lloyd

Tentative agenda decision – Definition of a Lease—Shipping Contract (IFRS 16 Leases)

Deloitte Touche Tohmatsu Limited is pleased to respond to the IFRS Interpretations Committee's publication in the September 2019 IFRIC Update of the tentative decision not to take onto the Committee's agenda the request for clarification on whether in the specific fact pattern presented the customer has the right to direct the use of a ship throughout the five-year term of a particular contract.

We agree with the IFRS Interpretations Committee's decision not to add this item onto its agenda for the reasons set out in the tentative agenda decision.

To provide further clarity on the Committee's analysis of the fact pattern described in the request, we suggest the following editorial changes (blacklined)

- To clarify that the statement at the end of item c. in the introductory paragraph is specific to the fact pattern presented and not broadly applicable to all situations involving use of a ship, we suggest the following addition

"In the fact pattern presented, those decision-making rights are relevant because they affect the economic benefits to be derived from use of the ship"

- To support the conclusion that the customer has the right to make all the relevant decisions about how and for what purpose the ship is used that can be made, we suggest to clarify the scope of the decisions the customer has the right to make vs those that are predetermined by adding the following sentences at the end of the fourth paragraph under the header "The right to direct how and for what purpose an asset is used"

"...Within that scope, the customer has the right to make all the relevant decisions about how and for what purpose the ship is used that can be made. In particular, the contract specifies the customer's right to use an identified ship for a five-year period to transport a specific load of a specific type of commodity from three separate points of origin to a common destination point – thus making these aspects of the contract pre-determined. However, the customer has the right to determine the order of voyages throughout the period of use (i.e. to determine from where the ship sails"

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

Deloitte Touche Tohmatsu Limited is a private company limited by guarantee incorporated in England & Wales under company number 07271800, and its registered office is Hill House, 1 Little New Street, London, EC4A, 3TR, United Kingdom.

© 2019 . For information, contact Deloitte Touche Tohmatsu Limited.

for each voyage), which in the circumstances, significantly impacts the economic benefits expected from use of the ship.”

If you have any questions concerning our comments, please contact Veronica Poole in London at +44 (0) 20 7007 0884.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'V Poole', with a stylized flourish at the end.

Veronica Poole
Global IFRS Leader