



**International GAAP Holdings Limited**

Model Financial Statements for the year  
ended 31 December 2019 – Appendix 2

# Appendix 2 – IFRS 16 *Leases* – Transition using the cumulative catch-up approach

## Introduction

The model financial statements of International GAAP Holdings Limited illustrate the initial application of IFRS 16 using a full retrospective approach. This Appendix illustrates the changes required on initial application using the cumulative catch-up approach.

## Implications of choosing the cumulative catch-up approach

Rather than apply IFRS 16 retrospectively in accordance with IAS 8, lessees are permitted to apply IFRS 16:C5(b) under which comparative information is not restated. If this approach is selected, 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.

If a lessee elects to use the cumulative catch-up approach:

- it is required to recognise the cumulative effect of initial application at the date of initial application (i.e. if an entity applies IFRS 16 for the first time in an accounting period beginning on 1 January 2019, it recognises the cumulative effect of application by adjusting balances at 1 January 2019);
- it is not permitted to restate comparative information – if there is a difference between the assets and liabilities recognised, an adjustment is made to opening retained earnings;
- it is required to carry forward amounts previously recognised in respect of leases classified as finance leases;
- is not required to make any adjustments on transition for leases previously accounted for as investment property using the fair value model in IAS 40 Investment Property;
- it is required to measure lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. It is permitted to choose one of two specific methods for the measurement of right-of-use assets, on a lease-by-lease basis;
- it is permitted to apply a number of additional transition reliefs and practical expedients for the measurement of lease liabilities and right-of-use assets arising from leases previously classified as operating leases;
- it is permitted to account for leases previously classified as operating leases and ending within 12 months of the date of initial application as short-term leases, irrespective of whether the original lease term was for more than 12 months; and
- it is required to disclose the effect of applying the cumulative catch-up approach.

Additional practical expedients are available on a lease-by-lease basis when a lessee applies the cumulative catch-up approach.

Importantly, a lessee applying the cumulative catch-up approach is not required to run parallel systems at any point; information in comparative periods is reported on an IAS 17 basis and reporting moves to the IFRS 16 basis on the first day of the first accounting period in which the new Standard is applied.

## Illustrative disclosure

### Key assumptions used in the preparation of this Appendix

- This Appendix does not include a full set of financial statements; only the consolidated statement of profit or loss, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and the notes relevant to IFRS 16 and that are affected by the initial application of IFRS 16 are included. Notes that are indirectly affected, e.g. Note 13 'Income taxes', Note 16 'Earnings per share' and Note 51 'Retained earnings' have not been illustrated in this Appendix. Entities should consider the effect on adjustments resulting from the adoption of IFRS 16 on these, and indeed all, notes in the financial statements.
- The consolidated statement of profit or loss reflects the presentation of the profit and loss as separate from the statement of other comprehensive income, with expenses analysed by function. The consolidated statement of cash flows illustrates the direct method of reporting cash flows from operating activities. Alternative presentations are included in the main Model Financial Statements.
- This Appendix does not include disclosures related to all types of lease transactions (e.g. sale-and-leaseback transactions etc.) but only those entered into by the Group. For the purpose of this Appendix it is assumed that the adoption of IFRS 16 does not have an impact on the tax laws applicable to the Group (i.e. it does not have an impact on current tax). The deferred tax effects are not presented in this Appendix.
- Details of the transition adjustments are disclosed in Note 2 'Adoption of new and revised Standards' in this Appendix.





Source	International GAAP Holdings Limited		
	<b>Consolidated statement of profit or loss</b>		
	<b>For the year ended 31 December 2019</b>		
		Note	<div> <div>31/12/2019</div> <div>31/12/2018</div> </div> <div> <div>CU</div> <div>CU</div> </div>
	<b>Continuing operations</b>		
	<b>Revenue</b>		
	Cost of sales		
	<b>Gross profit</b>		
	Other income	57	
	Distribution costs		
	Administrative expenses		
	Other expenses		
	Share of results of associates		
	Share of results of joint ventures		
	Restructuring costs		
	Finance income – interest income		
	Finance income – other		
	Gains and losses arising from the derecognition of financial assets measured at amortised cost		
	Gains and losses on reclassification of financial assets from amortised cost to FVTPL		
	Gains and losses on reclassification of financial assets from FVTOCI to FVTPL		
	Impairment losses and gains (including reversals of impairment losses) on financial assets		
	Other gains and losses		
IFRS 16:49	Finance costs	12	
	<b>Profit before tax</b>		
	Income tax		
	<b>Profit for the year from continuing operations</b>		
	<b>Discontinued operations</b>		
	Loss for the year from discontinued operations		
	<b>Profit for the year</b>	8	

Source	International GAAP Holdings Limited	
	Attributable to:	
	Owners of the Company	
	Non-controlling interests	
	<b>Earnings per share</b>	
	From continuing operations:	
	Basic	
	Diluted	
	From continuing and discontinued operations:	
	Basic	
	Diluted	

Source	International GAAP Holdings Limited		
	<b>Consolidated statement of financial position</b>		
	<b>As at 31 December 2019</b>		
		Note	<div> <div>31/12/2019</div> <div>31/12/2018</div> </div> <div>CU</div> <div>CU</div>
	<b>Non-current assets</b>		
	Goodwill		
	Other intangible assets		
	Property, plant and equipment	19	
IFRS 16:47(a)	Right-of-use assets*	31	
	Investment property		
	Interests in associates		
	Interests in joint ventures		
	Investments in financial assets		
	Finance lease receivables		
	Derivative financial instruments		
	Deferred tax assets		
	Contract assets		
	Contract costs		
			<div>_____</div> <div>_____</div>
	<b>Current assets</b>		
	Inventories		
	Investments		
	Right to returned goods asset		
	Contract assets		
	Contract costs		
	Finance lease receivables	30	
	Trade and other receivables		
	Derivative financial instruments		
	Cash and bank balances		
			<div>_____</div> <div>_____</div>
	Assets classified as held for sale		<div>_____</div> <div>_____</div>
			<div>_____</div> <div>_____</div>
	<b>Current liabilities</b>		
	Trade and other payables		
	Current tax liabilities		
IFRS 16:47(b)	Lease liabilities	37	
	Obligations under finance leases**	37	
	Borrowings		
	Derivative financial instruments		



Source	International GAAP Holdings Limited	
IFRS 16:47(b)	Other financial liabilities	
	Provisions	
	Deferred revenue – government grant	
	Lease incentives**	57
	Contract liabilities	
	Refund liability	
	Liabilities directly associated with assets classified as held for sale	
	<b>Non-current liabilities</b>	
	Borrowings	
	Convertible loan notes	
	Retirement benefit obligations	
	Deferred tax liabilities	
	Provisions	
	Deferred revenue – government grant	
	Contract liabilities	
	Lease liabilities	37
	Obligations under finance leases**	37
	Liability for share based payments	
	Lease incentives**	57
	<b>Total liabilities</b>	
	<b>Net assets</b>	
	<b>Equity</b>	
	Share capital	
	Share premium account	
	Other reserves	
	Retained earnings	
	Equity attributable to owners of the Company	
	Non-controlling interests	
	<b>Total equity</b>	
	* The lines indicated are in respect of the application of IFRS 16 in the current year only.	
	** The lines indicated are in respect of the IAS 17 comparatives only.	

Source	International GAAP Holdings Limited
IFRS 16:48	<p><b>Commentary:</b></p> <p><i>In this Appendix, the Group has chosen to present right-of-use-assets as well as lease liabilities on the face of the consolidated statement of financial position, instead of disclosing the amounts in the notes.</i></p> <p><i>The requirement to present separately (on the statement of financial position or in the notes) the right-of-use assets does not apply to right-of-use assets that meet the definition of investment property, which should be presented in the statement of financial position as investment property. The Group does not have right-of-use assets that meet the definition of investment property.</i></p> <p><i>A right-of-use asset should be classified in its entirety as a single unit of account as current or non-current in accordance with IAS 1:66. This would typically result in a right-of-use asset being classified similarly to the underlying asset in the lease. Assets that are subject to depreciation or amortisation are typically non-current.</i></p> <p><i>If an entity elects not to use the short-term lease recognition exemption, the resulting right-of-use asset is classified as current because the right-of-use asset will be realised within 12 months after the reporting period (IAS 1:66(c)).</i></p> <p><i>The classification of a right-of-use asset as current or non-current is not impacted by whether it is presented separately on the face of the statement of financial position or included within the same line item as the underlying asset.</i></p>

## International GAAP Holdings Limited

## Consolidated statement of changes in equity – extract

## Equity attributable to owners of the parent

	Share capital	Share premium account	Other reserves**	Retained earnings	Attributable to owners of the parent	Non- controlling interest	Total equity
	CU	CU	CU	CU	CU	CU	CU
<b>Balance at 1 January 2019 (as previously reported)</b>							
Effect of change in accounting policy for initial application of IFRS 16*							
<b>Balance at 1 January 2019 – As restated**</b>							
Profit for the year							
Other comprehensive income for the year							
<b>Total comprehensive income for the year</b>							
Issue of share capital							
Dividends							
Transfer of cash flow hedging (gains)/ losses and cost of hedging to the initial carrying amount of hedged items							
Transfer of credit risk reserve upon derecognition of the related financial liabilities							
Transfer of investment revaluation reserve upon disposal of investments in equity instruments designated as at FVTOCI							
Own shares acquired in the year							
Credit to equity for equity-settled share-based payments							
Deferred tax on share-based payment transactions							
Adjustment arising from change in non-controlling interest							
<b>Balance at 31 December 2019</b>							

\* IFRS 16:C7

\*\* Reserve movements have been grouped for illustrative purposes only. The requirements of IAS 1:108 should still be adhered to.

Source	International GAAP Holdings Limited			
	<b>Consolidated statement of cash flows</b>			
	<b>For the year ended 31 December 2019</b>			
			31/12/2019	31/12/2018
		Note	CU	CU
	<b>Cash from operating activities</b>			
IFRS 16:50(c)	Receipts from customers			
	Payments to suppliers and employees			
	<b>Cash generated from operations</b>			
	Income taxes paid			
	Cash received from the settlements of the derivative financial instruments used to hedge interest rate risk			
	Cash paid due to the settlements of the derivative financial instruments used to hedge interest rate risk			
	<b>Net cash from operating activities</b>			
	<b>Investing activities</b>			
	Interest received			
	Dividends received from associates			
	Dividends received from joint ventures			
	Dividends received from equity instruments designated at FVTOCI			
	Proceeds on disposal of equity instruments held at FVTOCI			
	Disposal of subsidiary			
	Proceeds on disposal of property, plant and equipment			
	Purchases of property, plant and equipment			
	Acquisition of investment in an associate			
	Purchases of equity instruments designated at FVTOCI			
	Purchases of patents and trademarks			
	Acquisition of subsidiary			
	Cash receipts from contracts held for hedging purposes			
	Cash payments due to contracts held for hedging purposes			
	<b>Net cash (used in)/from investing activities</b>			
	<b>Financing activities</b>			
IFRS 16:50(b)	Dividends paid			
	Interest paid			
	Transaction costs related to the loans and borrowings			
	Repayments of loans and borrowings			
IFRS 16:50(a)	Proceeds from loans and borrowings			
	Repurchase of treasury shares			
	Repayment of the lease liabilities*			
	Payments of obligations under finance leases**			

Source	International GAAP Holdings Limited
	<p>Proceeds on issue of convertible loan notes</p> <p>Proceeds on issue of shares</p> <p>Proceeds from sale of treasury shares</p> <p>Proceeds on disposal of partial interest in a subsidiary that does not involve loss of control</p> <p><b>Net cash (used in)/from financing activities</b></p> <p><b>Net increase/(decrease) in cash and cash equivalents</b></p> <p><b>Cash and cash equivalents at beginning of year</b></p> <p>Effect of foreign exchange rate changes</p> <p><b>Cash and cash equivalents at end of year</b></p> <p><i>* The lines indicated are in respect of the application of IFRS 16 in the current year only.</i></p> <p><i>** The lines indicated are in respect of the IAS 17 comparatives only.</i></p> <p><b>Commentary:</b></p> <p><i>Payments to suppliers and employees includes short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liabilities. Interest paid includes cash payments for the interest portion of lease liabilities.</i></p>

Source	International GAAP Holdings Ltd
	<p><b>2. Adoption of new and revised Standards – extract</b></p> <p><b>Impact of initial application of IFRS 16 Leases</b></p>
IAS 8:28(a)-(c)	<p>In the current year, the Group has applied IFRS 16 Leases (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.</p> <p>IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in Note 3. The impact of the adoption of IFRS 16 on the Group's consolidated financial statements is described below.</p>
IFRS 16:C2	The date of initial application of IFRS 16 for the Group is 1 January 2019.
IAS 8:28(d) IFRS 16:C5(b) IFRS 16:C7	<p>The Group has applied IFRS 16 using the cumulative catch-up approach which:</p> <ul style="list-style-type: none"> <li>• Requires the Group to recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application.</li> <li>• Does not permit restatement of comparatives, which continue to be presented under IAS 17 and IFRIC 4.</li> </ul>
	<b>(a) Impact of the new definition of a lease</b>
IAS 8:28(e) IFRS 16:C4 IFRS 16:C3	<p>The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered or changed before 1 January 2019.</p> <p>The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.</p> <p>The Group applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or changed on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Group has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Group.</p>
	<b>(b) Impact on Lessee Accounting</b>
	<b>(i) Former operating leases</b>
IFRS 16:C8	<p>IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.</p> <p>Applying IFRS 16, for all leases (except as noted below), the Group:</p> <ol style="list-style-type: none"> <li>a) Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with IFRS 16:C8(b)(ii)</li> <li>b) Recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;</li> <li>c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.</li> </ol> <p>Lease incentives (e.g. rent free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight line basis.</p> <p>Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.</p> <p>For short-term leases (lease term of 12 months or less) and leases of low-value assets (which includes tablets and personal computers, small items of office furniture and telephones), the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'other expenses' in profit or loss.</p>
IFRS 16:C10 IFRS 16:C13	The Group has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying IAS 17.

Source	International GAAP Holdings Ltd																
IFRS 16:C10(a) IFRS 16:C10(b)	<ul style="list-style-type: none"> <li>The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.</li> <li>The Group has adjusted the right-of-use asset at the date of initial application by the amount of provision for onerous leases recognised under IAS 37 in the statement of financial position immediately before the date of initial application as an alternative to performing an impairment review.</li> </ul>																
IFRS 16:C10(c)	<ul style="list-style-type: none"> <li>The Group has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.</li> </ul>																
IFRS 16:C10(d)	<ul style="list-style-type: none"> <li>The Group has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.</li> </ul>																
IFRS 16:C10(e)	<ul style="list-style-type: none"> <li>The Group has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.</li> </ul>																
	<p><b>(ii) Former finance leases</b></p> <p>For leases that were classified as finance leases applying IAS 17, the carrying amount of the leased assets and obligations under finance leases measured applying IAS 17 immediately before the date of initial application is reclassified to right-of-use assets and lease liabilities respectively without any adjustments, except in cases where the Group has elected to apply the low-value lease recognition exemption.</p> <p>The right-of-use asset and the lease liability are accounted for applying IFRS 16 from 1 January 2019.</p>																
	<p><b>(c) Impact on Lessor Accounting</b></p> <p>IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.</p> <p>However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.</p> <p>Under IFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).</p> <p>Because of this change, the Group has reclassified certain of its operating sublease agreements as finance leases and accounted for them as new finance leases entered into at the date of initial application. As required by IFRS 9, an allowance for expected credit losses has been recognised on the finance lease receivables.</p>																
	<p><b>(d) Financial impact of initial application of IFRS 16</b></p>																
IFRS 16:C12	<p><b>Commentary:</b></p> <p><i>When the lessee elects to apply IFRS 16 using the cumulative catch-up approach in accordance with IFRS 16:C5(b), the lessee shall disclose information about initial application required by IAS 8:28, except for the information specified in IAS 8:28(f). Instead of the information specified in IAS 8:28(f), the lessee shall disclose information in accordance with IFRS 16:C12 which is illustrated below.</i></p>																
IFRS 16:C14 IFRS 16:C12(a)	<p><i>Note, although IFRS 16:C14 does not require a lessor to make adjustments on transition, if there are changes to lessor accounting (for example in respect of changes in accounting for rental deposits received) the current year impact in line with IAS 8:28(f) would need to be disclosed.</i></p>																
	<p>The weighted average lessees incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on 1 January 2019 is __%.</p> <p>The following table shows the operating lease commitments disclosed applying IAS 17 at 31 December 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.</p>																
IAS 8:28(f)(i) IFRS 16:C12(b)	<p><i>Impact on retained earnings as at 1 January 2019</i></p> <table> <tr> <td></td><td>CU</td></tr> <tr> <td>Operating lease commitments at 31 December 2018</td><td>XXX</td></tr> <tr> <td>Short-term leases and leases of low-value assets</td><td>(XXX)</td></tr> <tr> <td>Effect of discounting the above amounts</td><td>(XXX)</td></tr> <tr> <td>Finance lease liabilities recognised under IAS 17 at 31 December 2018</td><td>XXX</td></tr> <tr> <td>Present value of the variable lease payments that depend on a rate or index</td><td>(XXX)</td></tr> <tr> <td>Present value of the lease payments due in periods covered by extension options that are included in the lease term and not previously included in operating lease commitments</td><td>XXX</td></tr> <tr> <td>Lease liabilities recognised at 1 January 2019</td><td>XXX</td></tr> </table> <p>The Group has recognised CU__ of right-of-use assets and CU__ of lease liabilities upon transition to IFRS 16. The difference of CU__ is recognised in retained earnings.</p>		CU	Operating lease commitments at 31 December 2018	XXX	Short-term leases and leases of low-value assets	(XXX)	Effect of discounting the above amounts	(XXX)	Finance lease liabilities recognised under IAS 17 at 31 December 2018	XXX	Present value of the variable lease payments that depend on a rate or index	(XXX)	Present value of the lease payments due in periods covered by extension options that are included in the lease term and not previously included in operating lease commitments	XXX	Lease liabilities recognised at 1 January 2019	XXX
	CU																
Operating lease commitments at 31 December 2018	XXX																
Short-term leases and leases of low-value assets	(XXX)																
Effect of discounting the above amounts	(XXX)																
Finance lease liabilities recognised under IAS 17 at 31 December 2018	XXX																
Present value of the variable lease payments that depend on a rate or index	(XXX)																
Present value of the lease payments due in periods covered by extension options that are included in the lease term and not previously included in operating lease commitments	XXX																
Lease liabilities recognised at 1 January 2019	XXX																

Source	International GAAP Holdings Ltd
	<p><b>3. Significant accounting policies – extract</b></p> <p><b>Leases</b></p> <p>IFRS 16:C7 The Group has applied IFRS 16 using the cumulative catch-up approach and therefore comparative information has not been restated and is presented under IAS 17. The details of accounting policies under both IAS 17 and IFRS 16 are presented separately below.</p> <p><b><i>Policies applicable from 1 January 2019</i></b></p> <p><i>The Group as a lessee</i></p> <p>IFRS 16:51; IFRS 16:60 The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.</p> <p>The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.</p> <p>Lease payments included in the measurement of the lease liability comprise:</p> <ul style="list-style-type: none"> <li>• Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;</li> <li>• Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;</li> <li>• The amount expected to be payable by the lessee under residual value guarantees;</li> <li>• The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and</li> <li>• Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.</li> </ul> <p>The lease liability is presented as a separate line in the consolidated statement of financial position.</p> <p>The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.</p> <p>The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:</p> <ul style="list-style-type: none"> <li>• The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.</li> <li>• The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).</li> <li>• A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.</li> </ul> <p>The Group did not make any such adjustments during the periods presented.</p> <p>The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.</p> <p>Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.</p>



Source	International GAAP Holdings Ltd
IFRS 16:61 IFRS 16:80 IFRS 16:62	<p>Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.</p> <p>The right-of-use assets are presented as a separate line in the consolidated statement of financial position.</p> <p>The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy (not part of this Appendix).</p> <p>Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in 'Other expenses' in profit or loss (see Note 31).</p> <p>As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For a contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.</p> <p><i>The Group as lessor</i></p> <p>The Group enters into lease agreements as a lessor with respect to some of its investment properties. The Group also rents equipment to retailers necessary for the presentation and customer fitting and testing of footwear and equipment manufactured by the Group.</p> <p>Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.</p> <p>When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.</p> <p>Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.</p> <p>Amounts due from lessees under finance leases are recognised 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 outstanding in respect of the leases.</p> <p>When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.</p> <p><b><i>Policies applicable prior to 1 January 2019</i></b></p> <p>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.</p> <p><i>The Group as a lessee</i></p> <p>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 to the lessor is included in the statement of financial position as a finance lease obligation.</p> <p>Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below). Contingent rentals are recognised as expenses in the periods in which they are incurred.</p> <p>Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.</p> <p>In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.</p>

Source	International GAAP Holdings Ltd
	<p><i>The Group as a lessor</i></p> <p>Amounts due from lessees under finance leases are recognised 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 outstanding in respect of the leases.</p> <p>Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.</p>

Source	International GAAP Holdings Limited	
	<b>12. Finance costs</b>	<div>31/12/2019</div> <div>CU</div> <div>31/12/2018</div> <div>CU</div>
IFRS 16:53(b)	Interest on bank overdrafts and loans	
	Interest on convertible loan notes	
	Interest expense on lease liabilities*	
	Interest on obligations under finance leases**	
	Total interest expense for financial liabilities not classified as at FVTPL	
	Less: amounts included in the cost of qualifying assets	
	Loss/(gain) arising on derivatives as designated hedging instruments in fair value hedges	
	(Gain)/loss arising on adjustment for the hedged item attributable to the hedged risk in a designated fair value hedge accounting relationship	
	(Gain)/loss arising on interest rate swaps as designated hedging instruments in cash flow hedges of floating rate debt reclassified from equity to profit or loss	
	(Gain)/loss arising on forward foreign exchange contracts designated as hedging instruments in cash flow hedges of forecast transactions that are no longer expected to occur reclassified from equity to profit or loss	
	Unwinding of discount on provisions	
	Net interest expense on defined benefit obligation	
	Other finance costs	
	* The lines indicated are in respect of the application of IFRS 16 in the current year only.	
	** The lines indicated are in respect of the IAS 17 comparatives only.	
	<b>19. Property, plant and equipment - extract</b>	<div>31/12/2019</div> <div>CU</div> <div>31/12/2018</div> <div>CU</div>
	<b>Carrying amounts of:</b>	
	Freehold land	
	Buildings	
	Plant and equipment	
IFRS 16:95	Assets subject to operating lease as a lessor (by class of underlying assets)	
IFRS 16:96	<b>Commentary:</b>	
	<i>For the disclosure requirements set out in IAS 16, please refer to the Model Financial Statements 2019.</i>	
	<b>Assets pledged as security</b>	
IAS 17:31(a)	The Group's obligations under finance leases at 31 December 2018 (see note 37), all relate to plant and machinery and had a carrying amount of CU__ million.	

Source	International GAAP Holdings Limited	
	<b>30. Finance lease receivables</b>	
		<div>31/12/2019</div> <div>31/12/2018</div>
	Undiscounted lease payments analysed as:	CU CU
	Recoverable after 12 months	
	Recoverable within 12 months	
	Net investment in the lease analysed as:	
	Recoverable after 12 months	
	Recoverable within 12 months	
	<b>Disclosure required by IFRS 16</b>	
IFRS 16:93	During the year, the finance lease receivables increased for the following reasons: <i>[insert qualitative and quantitative explanation of the significant changes in the carrying amount of the net investment in finance leases.]</i>	
IFRS 16:89; IFRS 16:92(a); IFRS 7:7	<p>The Group entered into finance leasing arrangements as a lessor for certain store equipment to its retailers. The equipment is necessary for the presentation and testing of footwear and equipment manufactured by the Group. The average term of finance leases entered into is __ years. Generally, these lease contracts do not include extension or early termination options.</p> <p>The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in CU. Residual value risk on equipment under lease is not significant, because of the existence of a secondary market with respect to the equipment.</p>	
		<div>31/12/2019</div> <div>CU</div>
IFRS 16:94	<b>Amounts receivable under finance leases</b>	
	Year 1	
	Year 2	
	Year 3	
	Year 4	
	Year 5	
	Onwards	
	Undiscounted lease payments	
	Unguaranteed residual values	
	Less: unearned finance income	
	Present value of minimum lease payments receivable	
	Impairment loss allowance	
	Net investment in the lease	

Source	International GAAP Holdings Limited
IFRS 16:90	<p>The following table presents the amounts included in profit or loss.</p> <p style="text-align: right;">31/12/2019</p> <p style="text-align: right;">CU</p>
IFRS 16:90(a)(i)	Selling profit/loss for finance leases
IFRS 16:90(a)(ii)	Finance income on the net investment in finance leases
IFRS 16:90(a)(iii)	Income relating variable lease payments not included in the net investment in finance leases
IFRS 7:7	<p>The Group's finance lease arrangements do not include variable payments.</p> <p>The average effective interest rate contracted is approximately __ per cent per annum.</p>
IAS 17:47(a)(b)(d)	<p><b>Disclosure required by IAS 17</b></p> <p style="text-align: right;"><b>Minimum lease payments</b></p> <p style="text-align: right;">31/12/2018</p> <p style="text-align: right;">CU</p> <p><b>Amounts receivable under finance leases:</b></p> <p>Within one year</p> <p>In the second to fifth years inclusive</p> <p>After five years</p> <p>Less: unearned finance income</p> <p>Present value of minimum lease payments receivable</p> <p>Loss allowance for uncollectable lease payments</p> <p style="text-align: right;"><b>Present value of minimum lease payments</b></p> <p style="text-align: right;">31/12/2018</p> <p style="text-align: right;">CU</p> <p><b>Amounts receivable under finance leases:</b></p> <p>Within one year</p> <p>In the second to fifth years inclusive</p> <p>After five years</p> <p>Present value of minimum lease payments receivable</p>
IAS 17:47(f)	<p>The Group entered into finance leasing arrangements for certain of its electronic equipment. The average term of finance leases entered into was __ years.</p>

Source	International GAAP Holdings Limited																																																												
IAS 17:47(c)	<p>Unguaranteed residual values of assets leased under finance leases at 31 Decemebr 2018 were estimated at CU__ million.</p> <p>The interest rate inherent in the leases is fixed at the contract date for all of the lease term. The average effective interest rate contracted approximated to __ per cent per annum.</p> <p>The Group's finance lease arrangements do not include variable payments.</p> <p>The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in CU. Residual value risk on equipment under lease is not significant, because of the existence of a secondary market with respect to the equipment.</p> <p><b><i>Impairment of finance lease receivables</i></b></p>																																																												
IFRS 7:34(a)	<p>The directors of the Company estimate the loss allowance on finance lease receivables at the end of the reporting period at an amount equal to lifetime ECL. None of the finance lease receivables at the end of the reporting period is past due, and taking into account the historical default experience and the future prospects of the industries in which the lessees operate, together with the value of collateral held over these finance lease receivables (see note 63(d)(i)), the directors of the Company consider that none of the finance lease receivables is impaired.</p> <p>There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for finance lease receivables.</p>																																																												
IFRS 16:54	<p><b>31. Leases (Group as a lessee)</b></p> <p><b><i>Disclosure required by IFRS 16</i></b></p> <p><u>Right-of-use assets</u></p> <table><tr><th></th><th>Buildings</th><th>Plant</th><th>Equipment</th><th>Total</th></tr><tr><th></th><th>CU</th><th>CU</th><th>CU</th><th>CU</th></tr><tr><td><b>Cost</b></td><td></td><td></td><td></td><td></td></tr><tr><td>At 1 January 2019</td><td></td><td></td><td></td><td></td></tr><tr><td>Additions</td><td></td><td></td><td></td><td></td></tr><tr><td>At 31 December 2019</td><td></td><td></td><td></td><td></td></tr><tr><td><b>Accumulated depreciation</b></td><td></td><td></td><td></td><td></td></tr><tr><td>At 1 January 2019</td><td></td><td></td><td></td><td></td></tr><tr><td>Charge for the year</td><td></td><td></td><td></td><td></td></tr><tr><td>At 31 December 2019</td><td></td><td></td><td></td><td></td></tr><tr><td><b>Carrying amount</b></td><td></td><td></td><td></td><td></td></tr><tr><td>At 31 December 2019</td><td></td><td></td><td></td><td></td></tr></table>		Buildings	Plant	Equipment	Total		CU	CU	CU	CU	<b>Cost</b>					At 1 January 2019					Additions					At 31 December 2019					<b>Accumulated depreciation</b>					At 1 January 2019					Charge for the year					At 31 December 2019					<b>Carrying amount</b>					At 31 December 2019				
	Buildings	Plant	Equipment	Total																																																									
	CU	CU	CU	CU																																																									
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IFRS 16:53(a)	<p>At 1 January 2019</p> <p>Charge for the year</p> <p>At 31 December 2019</p>																																																												
IFRS 16:37(j)																																																													
IFRS 16:52; IFRS 16:59(a)	<p>The Group leases several assets including buildings, plants, IT equipment. The average lease term is __ years (2018: __ years).</p> <p>The Group has options to purchase certain manufacturing equipment for a nominal amount at the end of the lease term. The Group's obligations are secured by the lessors' title to the leased assets for such leases.</p>																																																												
IFRS 16:53(h)	<p>Approximately one fifth of the leases for property, plant and equipment expired in the current financial year. The expired contracts were replaced by new leases for identical underlying assets. This resulted in additions to right-of-use assets of CU__ million in 2019. The maturity analysis of lease liabilities is presented in note 37.</p>																																																												

Source	International GAAP Holdings Limited	31/12/2019
	<u>Amounts recognised in profit and loss</u>	CU
IFRS 16:53(a)	Depreciation expense on right-of-use assets	
IFRS 16:53(b)	Interest expense on lease liabilities	
IFRS 16:53(c)	Expense relating to short-term leases	
IFRS 16:53(d)	Expense relating to leases of low value assets	
IFRS 16:53(e)	Expense relating to variable lease payments not included in the measurement of the lease liability	
IFRS 16:53(f)	Income from subleasing right-of-use assets	
IFRS 16:55	At 31 December 2019, the Group is committed to CU__ million for short-term leases.	
IFRS 16:B49	Some of the property leases in which the Group is the lessee contain variable lease payment terms that are linked to sales generated from the leased stores. Variable payment terms are used to link rental payments to store cash flows and reduce fixed cost. The breakdown of lease payments for these stores is as follows.	
		31/12/2019
		CU
	Fixed payments	
	Variable payments	
	Total payments	
IFRS 16:59(b)(i);	Overall the variable payments constitute up to __ per cent of the Group's entire lease payments. The Group expects this ratio to remain constant in future years. The variable payments depend on sales and consequently on the overall economic development over the next few years. Taking into account the development of sales expected over the next __ years, variable rent expenses are expected to continue to present a similar proportion of store sales in future years.	
IFRS 16:B49		
IFRS 16:53(g)	The total cash outflow for leases amount to CU __ million.	
	On [date] 2019, [Subsidiary X Limited] entered into a 10-year lease to rent property, which had not commenced by the year-end and as a result, a lease liability and right-of-use asset has not been recognised at 31 December 2019. The aggregate future cash outflows to which the Group is exposed in respect of this contract is:	
	<ul style="list-style-type: none"> <li>• Fixed payments of CU__ per year, for the next 10 years.</li> </ul>	
	There are no extension or termination options on the lease.	
	<p><b>Commentary:</b></p> <p><i>In addition to the disclosures required in IFRS 16:53-58, a lessee is required to disclose additional qualitative and quantitative information about its leasing activities necessary to meet the disclosure objective in IFRS 16:51. This additional information may include, but is not limited to, information that helps users of financial statements to assess:</i></p> <ul style="list-style-type: none"> <li>• <i>The nature of the lessee's leasing activities;</i></li> <li>• <i>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> <ul style="list-style-type: none"> <li>– <i>Variable lease payments;</i></li> <li>– <i>Extension options and termination options;</i></li> <li>– <i>Residual value guarantees ; and</i></li> <li>– <i>Leases not yet commenced to which the lessee is committed.</i></li> </ul> </li> <li>• <i>Restrictions or covenants imposed by leases; and</i></li> <li>• <i>Sale and leaseback transactions.</i></li> </ul>	

Source	International GAAP Holdings Limited	
	<b>37. Lease liabilities</b>	
		31/12/2019
		CU
	Analysed as:	
	Non-current	
	Current	
	<b>Disclosure required by IFRS 16</b>	
		31/12/2019
IFRS 16:58 IFRS 7:B11	<b>Maturity analysis</b>	CU
	Year 1	
IFRS 7:39(a)	Year 2	
	Year 3	
	Year 4	
	Year 5	
IFRS 16:B11; IFRS 16.B49	Onwards	
IFRS 7:39(c)	The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.	
	All lease obligations are denominated in currency units.	
	<b>Disclosure required by IAS 17</b>	Minimum lease payments
		31/12/2018
IAS 17:31(b)	<b>Amounts payable under finance leases:</b>	CU
	Within one year	
IFRS 7:39(a)	In the second to fifth years inclusive	
	After five years	
	Less: future finance charges	
	Present value of lease obligations	
		Present value of minimum lease payments
		31/12/2018
	<b>Amounts payable under finance leases:</b>	CU
	Within one year	
	In the second to fifth years inclusive	
	After five years	
	Present value of lease obligations	



Source	International GAAP Holdings Limited
	<p>Analysed as:</p> <p>Non-current</p> <p>Current</p>
IFRS 17:31 (e)	<p>It is the Group's policy to lease certain of its fixtures and equipment under finance leases. The average lease term is [number] years. For the year ended 31 December 2018, the average effective borrowing rate was __ per cent. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.</p> <p>All lease obligations are denominated in currency units.</p> <p>The fair value of the Group's lease obligations as at 31 December 2018 is estimated to be CU__ million using an __ per cent discount rate based on a quoted five year swap rate and adding a credit margin that reflects the secured nature of the lease obligation.</p> <p>The Group's obligations under finance leases are secured by the lessors' rights over the leased assets disclosed in note 19.</p>
	<p><b>57. Operating lease arrangements</b></p> <p><b>The Group as a lessor</b></p> <p><b>Disclosure required by IFRS 16</b></p>
IFRS 16:89	Operating leases, in which the Group is the lessor, relate to investment property owned by the Group with lease terms of between __ to __ years, with one __ year extension option. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.
IFRS 16:92(b)	The unguaranteed residual values do not represent a significant risk for the Group, as they relate to property which is located in a location with a constant increase in value over the last __ years. The Group did not identify any indications that this situation will change.
IFRS 16:97	<p>Maturity analysis of operating lease payments:</p> <p style="text-align: right;">31/12/2019</p> <p style="text-align: right;">CU</p> <p>Year 1</p> <p>Year 2</p> <p>Year 3</p> <p>Year 4</p> <p>Year 5</p> <p>Year 6 and onwards</p> <p><b>Total</b></p>
	<p>The following table presents the amounts reported in profit or loss.</p> <p style="text-align: right;">31/12/2019</p> <p style="text-align: right;">CU</p>
IFRS 16:90(b)	Lease income on operating leases
IFRS 16:90(b)	Therein lease income relating to variable lease payments that do not depend on an index or rate

Source	International GAAP Holdings Limited
	<b>Disclosure required by IAS 17</b>
IAS 17:56(c)	As set out in Note 20 property rental income earned during the year was CU__ million. Certain of the Group's properties held for rental purposes, with a carrying amount of CU__ million, have been disposed of since the reporting date. The remaining properties are expected to generate rental yields of __ per cent on an ongoing basis. All of the properties held have committed tenants for the next <i>[number]</i> years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.
IAS 17:56(a)	At the reporting date, the Group had contracted with tenants for the following future minimum lease payments: <div style="text-align: right;"> <u>31/12/2018</u>  CU </div> <div> Within one year  In the second to fifth years inclusive  After five years </div> <div style="text-align: right;"> <u>31/12/2018</u>  CU </div>
	<b>Rental income:</b>
IAS 17:47(e)	Finance lease contingent rental income
	Operating lease rental income
	– Investment property
IAS 17:56(b)	– Contingent rental income
	<b>The Group as a lessee</b>
	<b>Disclosure required by IAS 17</b>
	<div style="text-align: right;"> <u>31/12/2018</u>  CU </div> <div> Minimum lease payments under operating leases recognised as an expense in the year  Contingent rentals  Sub-lease payments received </div> <div style="text-align: right;"> <u>31/12/2018</u>  CU </div>
IAS 17:35 (a)	At the reporting date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows: <div style="text-align: right;"> <u>31/12/2018</u>  CU </div> <div> Within one year  In the second to fifth years inclusive  After five years </div> <div style="text-align: right;"> <u>31/12/2018</u>  CU </div>
IAS 17:31 (d)	Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of <i>[number]</i> years and rentals are fixed for an average of <i>[number]</i> years with an option to extend for a further <i>[number]</i> years at the then prevailing market rate. Liabilities recognised in respect of non-cancellable operating leases:

Source	International GAAP Holdings Limited
	<div data-bbox="1326 232 1501 309"> <div>31/12/2018</div> <div>CU</div> </div> <div data-bbox="309 318 478 427"> Lease incentives  Current  Non-current </div> <div data-bbox="1326 427 1501 477"> <div></div> <div></div> </div> <div data-bbox="309 517 1404 580"> <p>Lease incentives relate to the rent free period (__ months) on the leased offices in <i>[please insert]</i>. The annual, contractual rent after rent free period is CU__million. The lease agreement will expire in __ years.</p> </div>



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