



## Leases, Revenue and Landfill Provisions Update

## Agenda

- IFRS 16 *Leases*
- IFRS 15 *Revenue from Contracts with Customers*, and AASB 10XX *Income*
- Accounting for Landfills

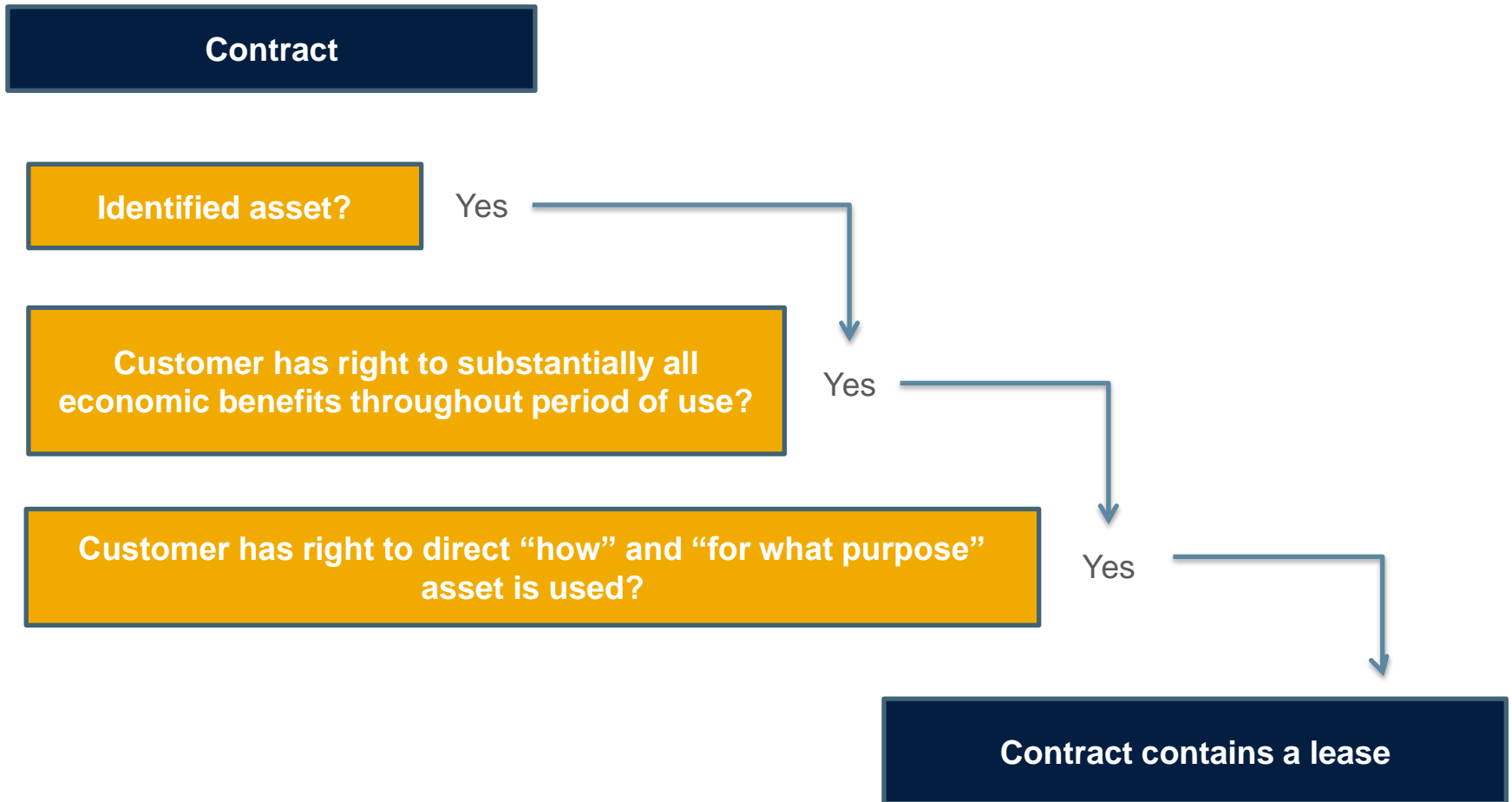
# IFRS 16 *Leases*

## Context

Leases (definition):  
IFRS 16: Leases

“ ... a ***contract***, or part of a ***contract***, that conveys the ***right*** to use an asset ... for a period of time in exchange for consideration.”

## Assessment



## Lessee accounting

### Balance sheet

- Right-of-Use (RoU) asset
- Lease (payments) liability
- Deferred tax?

### Income statement

- Depreciation on RoU asset
- Interest expense on lease liability (finance costs)

### Cash flow statement

Split total cash paid into:

- Principal (financing)
- Interest (operating or financing)
- Variable (operating, if not part of lease liability)

### Impact

- ↑ Assets (tangible?)
- ↑ Liabilities
- ↑ / ↓ Ratios
- ? Covenants

### Impact

- ↑ Depreciation
- ↓ Operating costs
- ↑ EBITDA
- ↑ Finance costs

### Impact

- ↑ / ↓ Operating cash flows
- ↑ Financing cash flows

## Lessee accounting

- Can elect not to apply lessee accounting model to:
  - Short term leases – lease term < 12 months without purchase option (class-of-assets basis)
  - Low-value items (lease-by-lease basis, even if material in aggregate)
- If election made, recognise expense on straight-line basis

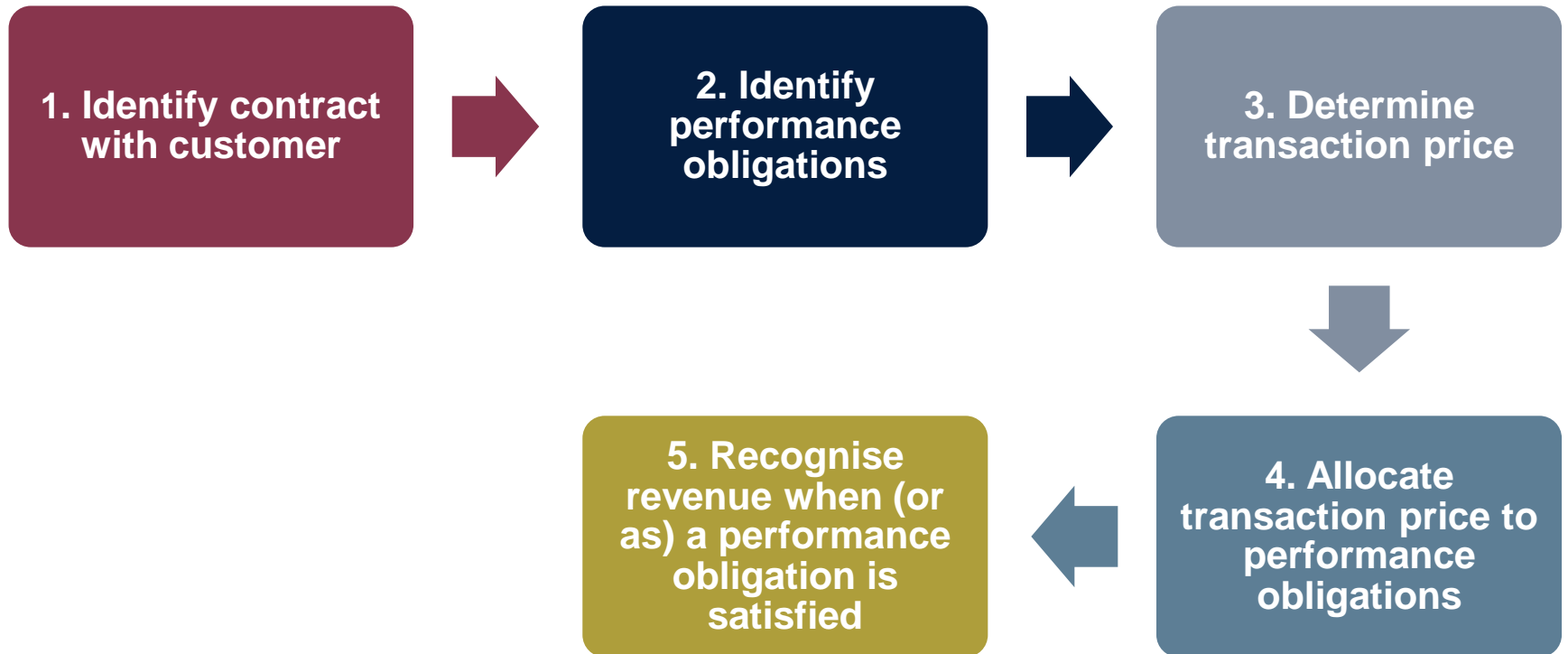
## Lessor accounting

- Classification is unchanged from IAS 17
  - Operating
  - Finance
  
- However, (as with lessee accounting) there are new implications arising from:
  - Lease assessment (i.e. Contract assessment)
  - Measurement (e.g. fixed versus variable payments)
  - Modifications / Variations
  - Sale-and-leaseback agreements
  - Sub-leases



# *IFRS 15 Revenue from Contracts with Customers, and AASB 10XX - Income*

## Framework



## Impact

- Performance Obligations:
  - Grants – structuring agreements?
  - Developer Contributions?

*.....only applies to revenue from contracts, no impact on statutory fees and fines (including rates).*

*.....No change to recognition of expenditure.*

# Accounting for Landfills

## Key issues/standards framework

- Site improvements (AASB 116 & 136)
- Landfill air space (AASB 138)
- Rehabilitation provisions (AASB 137 & Interpretation 1)

## Accounting issues

- Site improvements
  - Includes cost of building cell and other infrastructure works – may have separate useful lives
- Airspace Asset
  - Intangible asset = initial estimate of rehabilitation provision
- Rehabilitation provision
  - Initial estimate of NPV of costs to rehabilitate site when full, including ongoing monitoring costs.
- Multi cell sites
  - Complicates accounting significantly
- Impairment testing
  - Airspace asset must be generate future cash flows to support its value

## The big issue

.....rehabilitation costs are not discretionary, do you want to be responsible for getting these calculations wrong?

