

ANAVE – Circular de Régimen Interior

Madrid, 3 de marzo 2016
Ref.: Eco. Fin. 1/2016/EC

Asunto: Nueva norma contable: Incidencia sobre los fletamentos por tiempo

Muy Sres. nuestros:

El International *Accounting Standards Board* (IASB) publicó recientemente la nueva norma *NIIF 16* de información financiera sobre arrendamientos que podría tener implicaciones importantes para las empresas que sean arrendatarias de activos, incluyendo como tales a los operadores con buques **tomados en fletamento por tiempo**.

Esta norma afectará a los ejercicios contables que se inicien a partir del **1 de enero de 2019**, aunque se prevé expresamente que se pueda aplicar con anterioridad si así lo desea un país.

De acuerdo con los nuevos requisitos contables, **se elimina la diferenciación entre los contratos de arrendamiento operativo y los de arrendamiento financiero**.

Esta eliminación tendrá muy poca repercusión para los armadores fletantes, pero incidirá sobre los **fletadores de buques** pues, según la norma contable anterior, los fletamentos de buques, eran considerados “arrendamientos operativos”, y por tanto **no se exigía su reflejo contable**, mientras que los de arrendamiento financiero sí se registraban dentro del balance. Con la nueva norma, y al eliminar tal distinción, todos los contratos de arrendamiento y fletamento por tiempo se van a tener que reconocer contablemente, con un modelo único dentro del balance.

Más concretamente, las empresas fletadoras van a tener que reconocer contablemente su derecho de uso el buque, **como un activo en el balance**. Asimismo, tendrán que registrar dentro del pasivo el valor actual de los gastos futuros (fletes) que provengan el fletamento, es decir, deberán aplicar un patrón anticipado de reconocimiento de gastos.

En consecuencia, el fletador deberá reconocer unos pasivos y unos activos que hasta la fecha se encontraban fuera de balance, que se verá afectado, al igual que la cuenta de resultados. El coste de arrendamiento substancialmente lineal que se deriva de la actual norma contable, se verá sustituido por un coste de amortización aproximadamente constante más unos costes financieros decrecientes, lo que alterará el resultado final de los diferentes ejercicios.

Adjuntamos un informe emitido por una firma contable y de asesoría inglesa, en el que se resumen los cambios que introducirá esta norma.

Muy cordialmente,

Manuel Carlier
Director General

IFRS 16 Leases – The impact on shipping

It's been a long, long wait, but we finally have the international standard dealing with leases, IFRS 16. We are still waiting on the US standard dealing with the same issue, which will be a little different from the new international standard.

It will still be a few years yet before the first financial statements are published which have to comply with the new standard, since it is effective for periods beginning on or after 1 January 2019, although early adoption is allowed.

Even given this timing, many shipping companies will need to consider the effect on their financial statements quite soon. Some companies will see major changes to their balance sheets, and some change to their reported profits. Where they have loans with covenants, shipping companies will need to consider the effect that the changes will have on compliance with those covenants. Where breaches of covenant are likely, or reasonably possible, talking to lenders before the change hits accounts will be crucial.

Who will be affected?

There are some changes to the guidance dealing with the definition of a lease, and in particular more detail is provided on determining whether a contract conveys the right to use a particular asset. But nonetheless in most cases companies will find that their arrangements under the old and new guidance will be the same. As a general rule, bareboat and time charters will fall within the scope of the new standard, whilst voyage charters will not.

What will change is how some of those leases are treated.

The new standard covers all leases, whether the company acts as lessor or lessee.

The changes for lessors, however, are fairly minor. Whether lessors currently have finance leases or operating leases, or both, the new standard largely carries over the current

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accounting model so will not lead to major change. Lessor accounting has never been the main focus of the standard setter's interest, given that even under the existing model there has always been an asset recognised, and the IASB has decided not to make major changes to the nature of that asset. So those that are party to bareboat and time charters out will see little change to their current accounting treatments.

Lessees with existing finance leases will also find the changes do not make that much difference. Finance lease lessees already account for an underlying asset and the financing of that asset through that lease. They will continue to do so. This will often apply to those chartering in vessels under bareboat charters and, sometimes, under longer term time charters.

It is those who have operating leases as lessee, often those with shorter term time charters in, who will be most affected by the changes.

Because lessee accounting is changing substantially whilst lessor accounting is not, there will be some oddities arising where vessels are both chartered in and chartered out, particularly where the terms of both charters are similar.

Changes for charterers

Current international standards draw a distinction between finance and operating leases, depending on the terms of the lease such as its duration, the amounts payable and any options that may be included in the contract. Finance leases then give rise to the recognition of an asset and a financing liability, whilst

operating leases are not recognised in the balance sheet but treated as giving rise to an expense spread over the term of the lease. As a result, many time charters in are currently disclosed in the notes to the accounts, but do not yet give rise to the recognition of any assets and liabilities.

It is this distinction which disappears under the new standard.

In future, all leases will be treated in the same manner. The new treatment is broadly similar to that of a current finance lease – companies will recognise an asset, being their right to use the underlying asset, and a liability representing the present value of their obligation to pay for that asset.

So companies that have leased in vessels in the past under arrangements that have been identified as operating leases, will find that in future they have to recognise their interest in the vessel as an asset in the balance sheet. At the same time, they will also be required to record a liability for their future payments under the charter, to the extent that they relate to the vessel and not to any services that are also being provided under the charter.

Effect of the changes

Where a lease is recorded under the new rules, having previously been treated as an operating lease, this will not always have a major effect on reported net assets. But it may make a substantial difference to gross assets and gross liabilities, changing ratios that are based on these figures. Where a company has chartered in substantial tonnage under charters currently treated as operating leases, then the recording of major new assets and the associated liabilities will change gearing ratios, showing total debt as higher than before. Where companies have loan covenants based on total debt levels this may lead to breaches simply due to the accounting change.

There will also be some effect on reported profit, although that will vary between companies. Current operating leases are nearly always spread evenly over their life, so the charge is constant. Under the new rules, the total charges will consist of two elements – the depreciation of the vessel and the interest charge arising due to the financing. The depreciation will normally continue to be on a straight line basis, but the interest charges will be weighted towards the earlier part of the lease period. So whilst ultimately the total lease charges over the charter period will be the same as they were before they will be more front-loaded, with higher charges in the earlier years and lower charges in the later years. Obviously, the effect of this will be greatest on companies with just a few substantial charters, or even just one – those with many charters at various stages may find that even though the charges on each one change, the overall charges remain broadly the same.



The standard setter has been at pains to stress that not all of the changes will lead to the accounts appearing to give a more negative view of the company. Operating cash flows, for example, will often increase, since some of the cash flows currently shown as operating outflows will be categorised as attributable to financing. However, whether or not that will change operating cash flows depends on how interest costs are currently categorised in the cash flow statement.

Distinguishing leases and service contracts

There is a difference between a contract that is simply a lease and one that includes a lease, but also contains other elements. Time charters fall squarely into this category, since whilst they cover the provision of a vessel to the charterer they also cover services that will be received by the charterer. It is only the asset element of the contract that falls within the scope of the lease standard. The service element will continue to be dealt with separately, and no liability will be recorded until the services have been provided, as before.

Contracts that deal with both assets and services will often not attribute values to each element, and given that the commercial obligation is to pay for both there is no real reason why they should have to. It would not be usual to see a time charter that sub-analysed the total amounts payable between the various elements of asset and service. Despite this, under the new standard an allocation of total amounts payable will need to be made between the amounts attributable to the lease and amounts attributable to the service. Charterers will need to apply judgement in making this allocation.

Determining values

The new model for all leases is broadly similar to the old model for finance leases. For current finance leases a lessee needs to determine the interest rate that should be applied to the lease to determine the amount at which both the asset and the initial liability is recorded. The liability is not the total nominal value of all the payments that will be made but the present value of those payments. Whilst this sometimes proves tricky, it is normally fairly straightforward given that the fair value of the

liabilities is (almost by definition) likely to be very similar to the fair value of the underlying asset. So for a long term bareboat charter the present value of the total charter payments can be compared with the vessel value to ensure that the applicable interest rate is reasonable.

The same basic idea will apply to all leases in the future.

This is likely to prove more complicated in practice than at the moment. Ideally, the interest rate inherent in the lease should be used, as it currently is with a finance lease. In practice, this amount will often not be known to the lessee. Where this is the case the amount will have to be estimated by reference to the lessee's incremental borrowing rate, not always clearly known and also likely to involve some judgement. There will not always be the 'sense check' of being able to compare the liability arising with the fair value of the vessel. For example, if a company has taken out a five year time charter of a vessel with twenty years of expected life then the present value of the charter payments (after having excluded the service element) will not equate to the vessel's value.

Exemptions

There are exemptions under the standard.

An asset and liability need not be recorded in respect of short leases, those of less than a year. To avoid this being used too widely, there are provisions covering leases with variable terms which may last for more than a year. So very short term charters will be excluded, but those with extension clauses will have to be considered in great detail. Assessing asset life is normally very straightforward – it will be the lease or charter period – but where this period is not clear then the lease terms will need to be closely considered.

There is also an exemption for leases of small assets, which could basically be described as a materiality exemption. This is likely to be of little if any relevance to shipping companies (except to the extent that they may have leased a photocopier for their office).

Other matters

Some other matters are dealt with in the standard, such as how to deal with variable payments and whether they are accounted for initially at best estimates or dealt with as and when they arise. Whilst such issues do not arise under most leases, companies should look out for any unusual features of their leases since they may give rise to complex accounting issues.

What next?

- Begin preparation of transitional disclosures.
- Consider additional resources, eg time and staff, required to prepare the financial statements for the first year applying IFRS 16.
- Consider training requirements and changes to IT systems and controls.

How we can help

This summary does not cover all the changes required under the new standard, but we are happy to help provide guidance on the changes that will affect your business.

Shipping businesses come to Moore Stephens because of our specialist sector knowledge and the wide-ranging advice and assistance we can give them.

For more information or to discuss how we could help you with the transition, please contact us.

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