

From: Derek Billcliff
Sent: Thursday, 21 August 2025 9:15 am
To: accounting@xrb.govt.nzXRB
Subject: Post implementation NZIFRS16 Leases

I clarify this is my opinion and not necessarily that of my employer, a Tier 2 for-profit privately-owned group of companies.

I am responding from a preparer's, and observer of internal users, perspective and I question whether the changes for the group I am employed by have improved the overall standard of financial reporting.

My observations post implementation follow:

- The implementation initially caused confusion with the board (and our bankers) requiring explanations of why and what changes were made and the effect on reported profits
- Unwinding transactions to report EBITDA then adding these back and reconciling to external reports adds to time and cost delays in producing monthly accounts.
- Reversing transactions for our bankers who ignore IFRS16 transactions in their covenant calculations
- Adjustments required for deferred tax calculations and preparing income tax returns require additional work and expense
- Additional reconciliations and journals are required monthly of all IFRS16 transactions
- Using external sources to calculate the changes in IFRS16 is an additional cost to the business
- There are companies in the consolidated group that were retail focussed that required IFRS16 adjustments that distorted the management accounts for these entities.
- The accounts preparation require more judgment calls e.g. interest rates of lessors, maintenance allowances for vehicle and office equipment operating leases, lease terms and rent subsidies that I believe can distort the accuracy of financial reports making comparisons difficult unless the transactions are reversed for comparative analysis also.
- Increased notes to the accounts
- Adjustments to cash flow statements is a further complexity.

I believe there should be exemptions (as with some other standards) for private Tier 2 entities as IFRS16 adds little value coupled with the increased complexity and cost in preparing management and annual financial statements can lead to a level of distrust in the financial figures being produced for end users.

I think for issuers IFRS16 probably provides some value over the previous note disclosures, although looking at the slide with users comments, it makes company comparisons difficult and leads me to the view that one of the stated goals of IFRS16 has not been met.



DEREK BILLCLIFF

Chief Financial Officer

M +64 27 304 5842

P +64 3 358 9185

Level 2, 6 Show Place

PO Box 14-132

Christchurch 8544

apolloprojects.co.nz

DISCLAIMER:

This email contains information that is confidential and which may be legally privileged. If you have received this email in error, please notify the sender immediately and delete the email. This email is intended solely for the use of the intended recipient and you may not use or disclose this email in any way.