

FOR IMMEDIATE RELEASE

Changes to international accounting standards may bring about significant complexity for businesses who lease or rent

Brussels, 26 January 2009 - The International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board (FASB) are currently in the process of developing a new standard for lease accounting. A Discussion Paper, setting out the IASB's initial views on how leases should be accounted for, is expected in the first quarter of 2009.

Leaseurope, the trade body representing leasing and automotive rental in Europe, has published a paper that provides an overview of the industry's key concerns on the direction the leases project is taking.

Mark Venus (BNP Paribas), Chairman of Leaseurope's Accounting Committee, warns that "businesses should be aware that the proposed changes to lease accounting standards will have wide-reaching consequences. This is an issue that will affect all firms who choose to lease or rent their property or equipment. Standard setters are considering an approach that would create immense complexity for the preparers of accounts and will dramatically impact their financial statements."

Leaseurope Chairman, Rüdiger von Fölkersamb of Deutsche Leasing, stresses further that "the European leasing industry would not like to see a standard that is so complex it may overshadow the economic benefits of the products we provide. But this is an issue that goes far beyond Leaseurope's constituents and is particularly important in the current economic climate where businesses are struggling to find financing. Leasing can often be a viable alternative source of funds for these companies."

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Note to the Editors

→ **What is the new approach to international lease accounting?**

The new approach to lease accounting, often referred to as the right of use approach, differs substantially from today's standard which is based on an analysis of the risks and rewards inherent in the lease. Under the right of use model, a lessee would always recognise an asset, the right to use the leased item, and a corresponding liability on its balance sheet, whereas under the current standard, a lessee recognises the leased asset only under so-called finance leases.

→ **What are the implications for businesses who lease or rent equipment or property?**

Users of financial statements already make adjustments to take into account uncapitalised lease payments. On this basis it is unlikely that the new approach will make a significant difference to these users' assessments of a lessee's financial position.

Firms should be aware however that with more assets on their balance sheets, they may be required to hold additional capital. Particularly in the current economic environment, this may have a significant impact on business activities.

→ **Is the new approach limited to simply putting more leases on the balance sheet?**

No, the review involves several additional changes to “simply” requiring more assets on the balance sheet. These changes are likely to create a level of complexity that is disproportionate to any gains in information for the users of accounts. Moreover, there is a risk that the economic benefits leasing offers to businesses will be obscured. In Europe, leasing is responsible for financing around 30% of all equipment investment and is a vital source of funds for many companies.

→ **How will lessor accounting be affected?**

To date, standard setters have been considering lessee accounting issues separately from those for lessors. It is the European leasing industry’s view that this is regrettable and will be generative of inconsistencies in accounting standards.

→ **The full paper setting out the European leasing industry’s preliminary views on changes to lease accounting, including an executive summary, can be found at:**

<http://www.leaseurope.org/uploads/documents/positions/pp090116.pdf>

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About Leaseurope

As a Federation, Leaseurope brings together associations throughout Europe representing either the leasing, long term and/or short term automotive rental industries. The scope of products covered by Leaseurope’s members ranges from hire purchase and finance leases to operating leases of all asset types (automotive, equipment and real estate) and also includes the rental of cars, vans and trucks. It is estimated that Leaseurope represents approximately 93% of the European leasing market.

In 2007, new leasing volumes worth €340 billion were granted by the firms represented through Leaseurope’s members, a 13% increase compared to 2006. Together, these firms finance around 20% of all European investment (excluding investment in private dwellings). Moreover, they are responsible for the leasing and rental of some 17 million vehicles throughout Europe.