

FOR IMMEDIATE RELEASE

IASB Chairman Misrepresents Realities of Accounting for Leases under IFRS

Brussels, 7 November 2012 – IASB Chairman, Hans Hoogervorst gave a speech yesterday at the London School of Economics during which he accused companies of using leasing to hide debt.

Reacting to the comments made by Mr Hoogervorst during this speech, Mark Venus, Chairman of Leaseurope's Accounting Committee said: "Mr Hoogervorst does a disservice to the quality of his international accounting standards. While it may be true that lease structuring can take place under rules-based US accounting standards, it is certainly not the case with IFRS that are applied in Europe and elsewhere. Under IFRS, a lease that looks like a loan for the purchase of an asset is always recorded on the books, just like any other liability.

His comparison of lease accounting to pension liability accounting is misleading. In reality, it is only those contracts that convey the temporary use of an asset, often in combination with a range of related services, which are currently not recorded as liabilities. This does not mean that companies are hiding debt, it just means they are not borrowing money to purchase assets. They are simply paying a fee to use an asset that belongs to someone else. We are talking about rental contracts for things like cars, IT and office equipment for instance. And let's not forget that companies already provide information to investors on the commitments they have under these contracts.

After more than six years of discussions there is still very little consensus, including among standard setters, on how IFRS lease accounting can be improved. To address the issues raised by Mr Hoogervorst, it would be far more efficient for the US to adopt the principles-based IFRS leases standard than pursuing the development of a new model which is more like conceptual art than a measure of economic reality."

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Note to the Editors;

Mr Hoogervorst's full speech is available here: <http://www.ifrs.org/Alerts/Conference/Pages/HH-speech-LSE-November-2012.aspx>

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About Leaseurope

As a Federation, Leaseurope brings together 44 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 92% of the European leasing market. For more information, please visit our website at www.leaseurope.org.