IFRS 16 'Leases'

- A new accounting standard (IFRS 16) has been adopted from 1st Jan 2019 on a fully retrospective basis, replacing the previous standard, IAS 17.
- "Right-of-use assets" will be recognised which represent the right to use underlying assets during the lease term.
- The obligation to make future minimum rental payments is recognised at present value as a financial liability.
- At our Full Year 2018 results announcement we highlighted the estimated impacts of the new accounting standard which, taken together, meant our 2018 operating profit would have been $17m higher, offset by a $19m increase in net financial expenses.
- We also estimated a $431m increase to our net debt from the addition of lease liabilities, as at 31 December 2018.
- As we have finalised our impact assessment of IFRS 16, there has been a slight revision to these estimates, with operating profit being $16m higher and net debt increasing by $435m.
- The materials we are publishing today consist of:
  - Updated information about the impact of IFRS 16 on the financial statements for FY 2017, FY 2018 and H1 2018
  - Updated supplementary information
- For 2019, we estimate the adoption of IFRS 16 will increase operating profit in the region of $12m ($7m of which is Fee Business) and reduce net profit after tax by ~$5-7m after a full year impact of the UK portfolio deal.
- The UK portfolio deal completed in July 2018 and is therefore not reported within the H1 2018 restated results published today. In the first half of 2019, we expect to report losses from the UK portfolio in the mid-high single digit US$ millions, which will be more than reversed in the full year.

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Summary of the key impacts on FY 2018:

Line item	Impact	Description
Expenses	$51m	Reduction in rental expenses from the elimination of operating lease rentals, which are replaced with depreciation of 'right-of-use' assets and interest on lease liabilities
Depreciation	$(35)m	Depreciation charge arising from recognition of 'right-of-use' asset
Operating profit	$16m	
Financial expenses	$(19)m	Finance charge on the lease liability that is now recognised on the balance sheet
Profit before tax	$(3)m	
Tax	$1m	Minor adjustment to deferred tax
Profit after tax	$(2)m	

Net Debt	$(435)m	Resulting from recognition of lease liabilities on the balance sheet, representing the discounted minimum lease payment for all leases

There is no change to free cash flow. Presentational adjustments can be found in the updated supplementary information, which is included with these materials.

Cautionary note regarding forward-looking statements

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This presentation may contain projections and forward looking statements. The words “believe”, “expect”, “anticipate”, “intend” and “plan” and similar expressions identify forward-looking statements. All statements other than statements of historical facts included in this presentation, including, without limitation, those regarding the Company’s financial position, potential business strategy, potential plans and potential objectives, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the Company’s actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company’s present and future business strategies and the environment in which the Company will operate in the future. Further, certain forward-looking statements are based upon assumptions of future events which may not prove to be accurate. The forward-looking statements in this document speak only as at the date of this presentation and the Company assumes no obligation to update or provide any additional information in relation to such forward-looking statements.

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