SSAP 14
STATEMENT OF STANDARD ACCOUNTING PRACTICE 14
LEASES

(Issued October 1987; revised February 2000)

*The standards, which have been set in **bold italic type**, should be read in the context of the background material and implementation guidance and in the context of the Foreword to Statements of Standard Accounting Practice and Accounting Guidelines. Statements of Standard Accounting Practice are not intended to apply to immaterial items (see paragraph 8 of the Foreword).*

Objective

The objective of this Statement is to prescribe, for lessees and lessors, the appropriate accounting policies and disclosure to apply in relation to finance and operating leases.

Scope

1. This Statement should be applied in accounting for all leases other than:

a. lease agreements to explore for or use natural resources, such as oil, gas, timber, metals and other mineral rights; and

b. licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights.

2. This Statement applies to agreements that transfer the right to use assets even though substantial services by the lessor may be called for in connection with the operation or maintenance of such assets. On the other hand, this Statement does not apply to agreements that are contracts for services that do not transfer the right to use assets from one contracting party to the other.

Definitions

3. The following terms are used in this Statement with the meanings specified:

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

A finance lease is a lease that transfers substantially all the risks and rewards incident to ownership of an asset. Title may or may not eventually be transferred.

An operating lease is a lease other than a finance lease.

A <u>non-cancellable lease</u> is a lease that is cancellable only:

a. upon the occurrence of some remote contingency;

b. with the permission of the lessor;

c. if the lessee enters into a new lease for the same or an equivalent asset with the same lessor; or

d. upon payment by the lessee of an additional amount such that, at inception, continuation of the lease is reasonably certain.

The <u>inception of the lease</u> is the earlier of the date of the lease agreement or of a commitment by the parties to the principal provisions of the lease.

The <u>lease term</u> is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, which option at the inception of the lease it is reasonably certain that the lessee will exercise.

<u>Minimum lease payments</u> are the payments over the lease term that the lessee is, or can be required, to make excluding contingent rent, costs for services and taxes to be paid by and reimbursed to the lessor, together with:

a. in the case of the lessee, any amounts guaranteed by the lessee or by a party related to the lessee; or

b. in the case of the lessor, any residual value guaranteed to the lessor by either:

i. the lessee;

ii. a party related to the lessee; or

iii. an independent third party financially capable of meeting this guarantee.

However, if the lessee has an option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable that, at the inception of the lease, is reasonably certain to be exercised, the minimum lease payments comprise the minimum payments payable over the lease term and the payment required to exercise this purchase option.

<u>Fair value</u> is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arms length transaction.

<u>Economic life</u> is either:

a. the period over which an asset is expected to be economically usable by one or more users; or

b. the number of production or similar units expected to be obtained from the asset by one or more users.

Useful life ***is the estimated remaining period, from the beginning of the lease term, without limitation by the lease term, over which the economic benefits embodied in the asset are expected to be consumed by the enterprise.***

Guaranteed residual value ***is:***

a. ***in the case of the lessee, that part of the residual value which is guaranteed by the lessee or by a party related to the lessee (the amount of the guarantee being the maximum amount that could, in any event, become payable); and***

b. ***in the case of the lessor, that part of the residual value which is guaranteed by the lessee or by a third party unrelated to the lessor who is financially capable of discharging the obligations under the guarantee.***

Unguaranteed residual value ***is that portion of the residual value of the leased asset, the realisation of which by the lessor is not assured or is guaranteed solely by a party related to the lessor.***

Gross investment in the lease ***is the aggregate of the minimum lease payments under a finance lease from the standpoint of the lessor and any unguaranteed residual value accruing to the lessor.***

Unearned finance income ***is the difference between:***

a. ***the aggregate of the minimum lease payments under a finance lease from the standpoint of the lessor and any unguaranteed residual value accruing to the lessor; and***

b. ***the present value of (a) above, at the interest rate implicit in the lease.***

Net investment in the lease ***is the gross investment in the lease less unearned finance income.***

The interest rate implicit in the lease is the discount rate that, at the inception of the lease, causes the aggregate present value of:

a. ***the minimum lease payments; and***

b. ***the unguaranteed residual value***

to be equal to the fair value of the leased asset.

The lessee's incremental borrowing rate of interest is the rate of interest the lessee would have to pay on a similar lease or, if that is not determinable, the rate that, at the inception of the lease, the lessee would incur to borrow over a similar term, and with a similar security, the funds necessary to purchase the asset.

Contingent rent ***is that portion of the lease payments that is not fixed in amount but is based on a factor other than just the passage of time (e.g., percentage of sales, amount of usage, price indices, market rates of interest).***

4. The definition of a lease includes contracts for the hire of an asset which contain a provision giving the hirer an option to acquire title to the asset upon the fulfilment of agreed conditions. These contracts are sometimes known as hire purchase contracts.

Classification of leases

5. The classification of leases adopted in this Statement is based on the extent to which risks and rewards incident to ownership of a leased asset lie with the lessor or the lessee. Risks include the possibilities of losses from idle capacity or technological obsolescence and of variations in return due to changing economic conditions. Rewards may be represented by the expectation of profitable operation over the asset's economic life and of gain from appreciation in value or realisation of a residual value.

6. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incident to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incident to ownership.

7. Since the transaction between a lessor and a lessee is based on a lease agreement common to both parties, it is appropriate to use consistent definitions. The application of these definitions to the differing circumstances of the two parties may sometimes result in the same lease being classified differently by lessor and lessee.

8. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. Examples of situations which would normally lead to a lease being classified as a finance lease are:

   a. the lease transfers ownership of the asset to the lessee by the end of the lease term;

   b. the lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain that the option will be exercised;

   c. the lease term is for the major part of the economic life of the asset even if title is not transferred;

   d. at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and

   e. the leased assets are of a specialised nature such that only the lessee can use them without major modifications being made.

9. Indicators of situations which individually or in combination could also lead to a lease being classified as a finance lease are:

   a. if the lessee can cancel the lease, the lessors losses associated with the cancellation are borne by the lessee;

   b. gains or losses from the fluctuation in the fair value of the residual fall to the lessee (for example in the form of a rent rebate equalling most of the sales proceeds at the end of the lease); and

   c. the lessee has the ability to continue the lease for a secondary period at a rent which is substantially lower than market rent.

10. Lease classification is made at the inception of the lease. If at any time the lessee and the lessor agree to change the provisions of the lease, other than by renewing the lease, in a manner that would have resulted in a different classification of the lease under the criteria in paragraphs 5 to 9 had the changed terms been in effect at the inception of the lease, the revised agreement is considered as a new agreement over its term. Changes in estimates (for example, changes in estimates of the economic life or of the residual value of the leased property) or changes in circumstances (for example, default by the lessee), however, do not give rise to a new classification of a lease for accounting purposes.

11. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets. However, a characteristic of land is that it normally has an indefinite economic life and, if title is not expected to pass to the lessee by the end of the lease term, the lessee does not receive substantially all of the risks and rewards incident to ownership. A premium paid for such a leasehold represents pre-paid lease payments which are amortised over the lease term in accordance with the pattern of benefits provided. A person holding a leasehold interest in land from the Government of the Hong Kong Special Administrative Region normally receives all the risks and rewards incident to ownership and therefore such an interest is to be accounted for in accordance with SSAP 13 "Accounting for investment properties" or SSAP 17 "Property, plant and equipment", as appropriate, instead of this Statement.

Leases in the financial statements of lessees

Finance leases

12. Lessees should recognise finance leases as assets and liabilities in their balance sheets at amounts equal at the inception of the lease to the fair value of the leased property or, if lower, at the present value of the minimum lease payments. In calculating the present value of the minimum lease payments the discount factor is the interest rate implicit in the lease, if this is practicable to determine; if not, the lessees incremental borrowing rate should be used.

13. Transactions and other events are accounted for and presented in accordance with their substance and financial reality and not merely with legal form. While the legal form of a lease agreement is that the lessee may acquire no legal title to the leased asset, in the case of finance leases the substance and financial reality are that the lessee acquires the economic benefits of the use of the leased asset for the major part of its economic life in return for entering into an obligation to pay for that right an amount approximating to the fair value of the asset and the related finance charge.

14. If such lease transactions are not reflected in the lessees balance sheet, the economic resources and the level of obligations of an enterprise are understated, thereby distorting financial ratios. It is therefore appropriate that a finance lease be recognised in the lessees balance sheet both as an asset and as an obligation to pay future lease payments. At the inception of the lease, the asset and the liability for the future lease payments are recognised in the balance sheet at the same amounts.

15. It is not appropriate for the liabilities for leased assets to be presented in the financial statements as a deduction from the leased assets. If for the presentation of liabilities on the face of the balance sheet, a distinction is made between current and non-current liabilities, the same distinction is made for lease liabilities.

16. Initial direct costs are often incurred in connection with specific leasing activities, as in negotiating and securing leasing arrangements. The costs identified as directly attributable to activities performed by the lessee for a finance lease, are included as part of the amount recognised as an asset under the lease.

17. Lease payments should be apportioned between the finance charge and the reduction of the outstanding liability. The finance charge should be allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

18. In practice, in allocating the finance charge to periods during the lease term, some form of approximation may be used to simplify the calculation.

19. A finance lease gives rise to a depreciation expense for the asset as well as a finance expense for each accounting period. The depreciation policy for leased assets should be consistent with that for depreciable assets which are owned, and the depreciation recognised should be calculated on the basis set out in SSAP 17 "Property, plant and equipment". If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset should be fully depreciated over the shorter of the lease term or its useful life.

20. The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise the asset is depreciated over the shorter of the lease term or its useful life.

21. The sum of the depreciation expense for the asset and the finance expense for the period is rarely the same as the lease payments payable for the period, and it is, therefore, inappropriate simply to recognise the lease payments payable as an expense in the income statement. Accordingly, the asset and the related liability are unlikely to be equal in amount after the inception of the lease.

22. To determine whether a leased asset has become impaired, that is when the expected future economic benefits from that asset are lower than its carrying amount, an enterprise applies paragraphs 55 to 59 of SSAP 17.

23. Lessees should make the following disclosures for finance leases:

a. for each class of asset, the net carrying amount at the balance sheet date;

b. a reconciliation between the total of minimum lease payments at the balance sheet date, and their present value. In addition, an enterprise should disclose the total of minimum lease payments at the balance sheet date, and their present value, for each of the following periods:

i. not later than one year;

ii. later than one year and not later than five years;

iii. later than five years;

c. contingent rents recognised in income for the period;

d. the total of future minimum sublease payments expected to be received under non-cancellable subleases at the balance sheet date; and

e. a general description of the lessees significant leasing arrangements including, but not limited to, the following:

i. the basis on which contingent rent payments are determined;

ii. the existence and terms of renewal or purchase options and escalation clauses; and

iii. ***restrictions imposed by lease arrangements, such as those concerning dividends, additional debt, and further leasing.***

24. In addition, the requirements on disclosure in accordance with SSAP 17 "Property, plant and equipment" apply to the amounts of leased assets under finance leases that are accounted for by the lessee as acquisitions of assets.

Operating leases

25. Lease payments under an operating lease should be recognised as an expense in the income statement on a straight line basis over the lease term unless another systematic basis is representative of the time pattern of the users benefit.

26. For operating leases, lease payments (excluding costs for services such as insurance and maintenance) are recognised as an expense in the income statement on a straight line basis unless another systematic basis is representative of the time pattern of the users benefit, even if the payments are not on that basis.

27. All incentives for the agreement of a new or renewed operating lease should be recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentives nature or form or the timing of payments.

28. The lessee should recognise the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight line basis unless another systematic basis is representative of the time pattern of the lessees benefit from the use of the leased asset.

29. Costs incurred by the lessee, including costs in connection with a pre-existing lease (for example costs for termination, relocation or leasehold improvements), should be accounted for by the lessee in accordance with the Framework and Statements of Standard Accounting Practice applicable to those costs, including costs which are effectively reimbursed through an incentive arrangement.

30. Lessees should make the following disclosures for operating leases:

a. ***the total of future minimum lease payments under non-cancellable operating leases for each of the following periods:***

i. ***not later than one year;***

ii. ***later than one year and not later than five years;***

iii. ***later than five years;***

b. ***the total of future minimum sublease payments expected to be received under non-cancellable subleases at the balance sheet date;***

c. ***lease and sublease payments recognised in income for the period, with separate amounts for minimum lease payments, contingent rents, and sublease payments;***

d. ***a general description of the lessees significant leasing arrangements including, but not limited to, the following:***

i. ***the basis on which contingent rent payments are determined;***

ii. ***the existence and terms of renewal or purchase options and escalation clauses; and***

iii. ***restrictions imposed by lease arrangements, such as those concerning dividends, additional debt, and further leasing.***

Leases in the financial statements of lessors

Finance leases

31. ***Lessors should recognise assets held under a finance lease in their balance sheets and present them as a receivable at an amount equal to the net investment in the lease.***

32. Under a finance lease substantially all the risks and rewards incident to legal ownership are transferred by the lessor, and thus the lease payment receivable is treated by the lessor as repayment of principal and finance income to reimburse and reward the lessor for its investment and services.

33. ***The recognition of finance income should be based on a pattern reflecting a constant periodic rate of return on the lessors net investment outstanding in respect of the finance lease.***

34. A lessor aims to allocate finance income over the lease term on a systematic and rational basis. This income allocation is based on a pattern reflecting a constant periodic return on the lessors net investment outstanding in respect of the finance lease. Lease payments relating to the accounting period, excluding costs for services, are applied against the gross investment in the lease to reduce both the principal and the unearned finance income.

35. Estimated unguaranteed residual values used in computing the lessors gross investment in a lease are reviewed regularly. If there has been a reduction in the estimated unguaranteed residual value, the income allocation over the lease term is revised and any reduction in respect of amounts already accrued is recognised immediately.

36. Initial direct costs, such as commissions and legal fees, are often incurred by lessors in negotiating and arranging a lease. For finance leases, these initial direct costs are incurred to produce finance income and are either recognised immediately in income or allocated against this income over the lease term. The latter may be achieved by recognising as an expense the cost as incurred and recognising as income in the same period a portion of the unearned finance income equal to the initial direct costs.

37. ***Manufacturer or dealer lessors should recognise selling profit or loss in income for the period, in accordance with the policy followed by the enterprise for outright sales. If artificially low rates of interest are quoted, selling profit should be restricted to that which would apply if a commercial rate of interest were charged. Initial direct costs should be recognised as an expense in the income statement at the inception of the lease.***

38. Manufacturers or dealers often offer to customers the choice of either buying or leasing an asset. A finance lease of an asset by a manufacturer or dealer lessor gives rise to two types of income:

   a. the profit or loss equivalent to the profit or loss resulting from an outright sale of the asset being leased, at normal selling prices, reflecting any applicable volume or trade discounts; and

   b. the finance income over the lease term.

39. The sales revenue recorded at the commencement of a finance lease term by a manufacturer or dealer lessor is the fair value of the asset, or, if lower, the present value of the minimum lease payments accruing to the lessor, computed at a commercial rate of interest. The cost of sale recognised at the commencement of the lease term is the cost, or carrying amount if different, of the leased property less the present value of the unguaranteed residual value. The difference between the sales revenue and the cost of sale is the selling profit, which is recognised in accordance with the policy followed by the enterprise for sales.

40. Manufacturer or dealer lessors sometimes quote artificially low rates of interest in order to attract customers. The use of such a rate would result in an excessive portion of the total income from the transaction being recognised at the time of sale. If artificially low rates of interest are quoted, selling profit would be restricted to that which would apply if a commercial rate of interest were charged.

41. Initial direct costs are recognised as an expense at the commencement of the lease term because they are mainly related to earning the manufacturers or dealers selling profit.

42. Lessors should make the following disclosures for finance leases:

a. a reconciliation between the total gross investment in the lease at the balance sheet date, and the present value of minimum lease payments receivable at the balance sheet date. In addition, an enterprise should disclose the total gross investment in the lease and the present value of minimum lease payments receivable at the balance sheet date, for each of the following periods:

i. not later than one year;

ii. later than one year and not later than five years;

iii. later than five years;

b. unearned finance income;

c. the unguaranteed residual values accruing to the benefit of the lessor;

d. the accumulated allowance for uncollectible minimum lease payments receivable;

e. contingent rents recognised in income; and

f. a general description of the lessors significant leasing arrangements.

43. As an indicator of growth it is often useful to also disclose the gross investment less unearned income in new business added during the accounting period, after deducting the relevant amounts for cancelled leases.

Operating leases

44. Lessors should present assets subject to operating leases in their balance sheets according to the nature of the asset.

45. Lease income from operating leases should be recognised in income on a straight line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

46. Costs, including depreciation, incurred in earning the lease income are recognised as an expense. Lease income (excluding receipts for services provided such as insurance and maintenance) is recognised in income on a straight line basis over the lease term even if the receipts are not on such a basis, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

47. Initial direct costs incurred specifically to earn revenues from an operating lease are either deferred and allocated to income over the lease term in proportion to the recognition of lease income, or are recognised as an expense in the income statement in the period in which they are incurred.

48. All incentives for the agreement of a new or renewed operating lease should be recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentives nature or form or the timing of payments.

49. The lessor should recognise the aggregate cost of incentives as a reduction of rental income over the lease term, on a straight line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

50. The depreciation of leased assets should be on a basis consistent with the lessors normal depreciation policy for similar assets, and the depreciation charge should be calculated on the basis set out in SSAP 17.

51. To determine whether a leased asset has become impaired, that is when the expected future economic benefits from that asset are lower than its carrying amount, an enterprise applies paragraphs 55 to 59 of SSAP 17.

52. A manufacturer or dealer lessor does not recognise any selling profit on entering into an operating lease because it is not the equivalent of a sale.

53. Lessors should make the following disclosures for operating leases:

a. for each class of asset, the gross carrying amount, the accumulated depreciation and accumulated impairment losses at the balance sheet date; and

i. the depreciation recognised in income for the period;

ii. impairment losses recognised in income for the period;

iii. impairment losses reversed in income for the period;

b. the future minimum lease payments under non-cancellable operating leases in the aggregate and for each of the following periods:

i. not later than one year;

ii. later than one year and not later than five years;

iii. later than five years;

c. total contingent rents recognised in income; and

d. a general description of the lessors significant leasing arrangements.

Sale and leaseback transactions

54. A sale and leaseback transaction involves the sale of an asset by the vendor and the leasing of the same asset back to the vendor. The lease payment and the sale price are usually interdependent as they are negotiated as a package. The accounting treatment of a sale and leaseback transaction depends upon the type of lease involved.

55. If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount should not be immediately recognised as income in the financial statements of a seller-lessee. Instead, it should be deferred and amortised over the lease term.

56. If the leaseback is a finance lease, the transaction is a means whereby the lessor provides finance to the lessee, with the asset as security. For this reason it is not appropriate to regard an excess of sales proceeds over the carrying amount as income. Such excess, is deferred and amortised over the lease term.

57. If a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value, any profit or loss should be recognised immediately. If the sale price is below fair value, any profit or loss should be recognised immediately except that, if the loss is compensated by future lease payments at below market price, it should be deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value should be deferred and amortisd over the period for which the asset is expected to be used.

58. If the leaseback is an operating lease, and the lease payments and the sale price are established at fair value, there has in effect been a normal sale transaction and any profit or loss is recognised immediately.

59. For operating leases, if the fair value at the time of a sale and leaseback transaction is less than the carrying amount of the asset, a loss equal to the amount of the difference between the carrying amount and fair value should be recognised immediately.

60. For finance leases, no such adjustment is necessary unless there has been an impairment in value, in which case the carrying amount is reduced to recoverable amount in accordance with paragraphs 55 to 59 of SSAP 17 that deal with impairment of assets.

61. Disclosure requirements for lessees and lessors apply equally to sale and leaseback transactions. The required description of the significant leasing arrangements leads to disclosure of unique or unusual provisions of the agreement or terms of the sale and leaseback transactions.

62. Sale and leaseback transactions may meet the separate disclosure criteria in paragraph 15 of SSAP 2 "Net profit or loss for the period, fundamental errors and changes in accounting policies".

Transitional provisions

63. Retrospective application of this Statement is encouraged but not required. If the Statement is not applied retrospectively, the balance of any pre-existing finance lease is deemed to have been properly determined by the lessor and should be accounted for thereafter in accordance with the provisions of this Statement.

Effective date

64. The accounting practices set out in this Statement should be regarded as standard in respect of financial statements relating to periods beginning on or after 1 July 2000. If an enterprise applies this Statement for financial statements covering periods beginning before 1 July 2000, the enterprise should disclose the fact that it has applied this Statement instead of SSAP 14 "Accounting for leases and hire purchase contracts" issued in 1987.

65. This Statement supersedes SSAP 14 "Accounting for leases and hire purchase contracts" issued in 1987.

Note on legal requirements in Hong Kong

66. Paragraph 13(1)(i) of the Tenth Schedule of the Companies Ordinance requires disclosure of the "amount, if material, charged to revenue in respect of sums payable in respect of the hire of plant and machinery", except in the financial statements of the banks and insurance companies.

Compliance with International Accounting Standard

67. This Statement takes the position that a person holding a leasehold interest in land from the Government of the Hong Kong Special Administrative Region normally receives all the risks and rewards incident to ownership and therefore such an interest is to be accounted for in accordance with SSAP 13 "Accounting for investment properties" or SSAP 17 "Property, plant and equipment", as appropriate, instead of this Statement. Except for the above, compliance with this Statement ensures compliance in all material respects with International Accounting Standard IAS 17 (Revised 1997) "Leases".

Appendix

Sale and leaseback transactions that result in operating leases

The appendix is illustrative only and does not form part of the Statement. The purpose of the appendix is to illustrate the application of the Statement to assist in clarifying its meaning.

A sale and leaseback transaction that results in an operating lease may give rise to a profit or a loss, the determination and treatment of which depends on the leased assets carrying amount, fair value and selling price. The table below shows the requirements of the Statement in various circumstances.

Sale price established at fair value (paragraph 57)	Carrying amount equal to fair value	Carrying amount less than fair value	Carrying amount above fair value
Profit	no profit	recognise profit immediately	not applicable
Loss	no loss	not applicable	recognise loss immediately
Sale price below fair value (paragraph 57)			
Profit	no profit	recognise profit immediately	no profit (note 1)
Loss <u>not</u> compensated by future lease payments at below market price	recognise loss immediately	recognise loss immediately	(note 1)
Loss compensated by future lease payments at below market price	defer and amortise loss	defer and amortise loss	(note 1)
Sale price above fair value (paragraph 57)			
Profit	defer and amortise profit	defer and amortise	defer and amortise profit (note 2)
Loss	no loss	no loss	(note 1)

Note 1: **These parts of the table represent circumstances that would have been dealt with under paragraph 59 of the Statement. Paragraph 59 requires the carrying amount of an asset to be written down to fair value where it is subject to a sale and leaseback.**

Note 2: **The profit would be the difference between fair value and sale price as the carrying amount would have been written down to fair value in accordance with paragraph 59.**