



Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

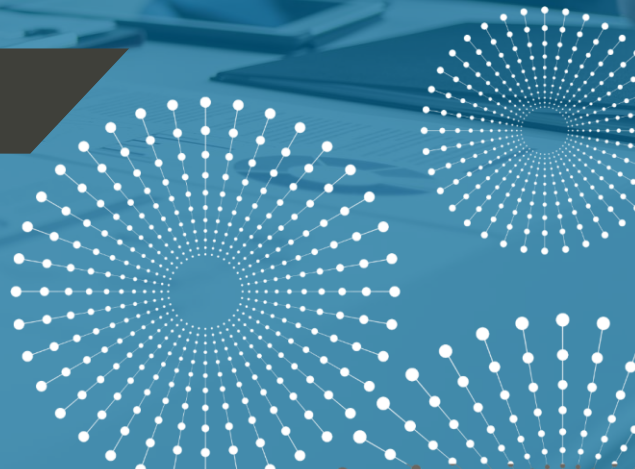
Deep Dive on NZ IFRS 18 Presentation and Disclosure in Financial Statements

Grouping of information in the financial statements



Thursday 7 August 2025

12:30pm – 1:30pm



External Reporting Board

Our purpose | Promoting trust and confidence, transparency and accountability through high-quality external reporting and assurance. We do this by establishing and maintaining robust frameworks and standards that are internationally credible and relevant to New Zealand.

Our strategy | Internationally aligned, locally relevant



Presenters

Michelle Lombaard

Director, Accounting Standards

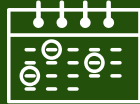
Gali Slyuzberg

Technical Director, Accounting Standards

Carly Berry

Senior Project Manager, Accounting Standards

NZ IFRS 18 *Presentation and Disclosure in Financial Statements*



Mandatory date: 1 January 2027

- **Replaces** NZ IAS 1 *Presentation of Financial Statements* when applied
- **Impacts all for-profit reporting entities** in New Zealand
- **Introduces new or enhanced requirements** relating to:

**Categories and
subtotals required in
the statement of
profit or loss**

Deep dive – Jun 2025

**Grouping of
information in the
financial statements**



Today's deep dive

**Disclosures about
management-defined
performance
measures**

Deep dive – Oct 2025

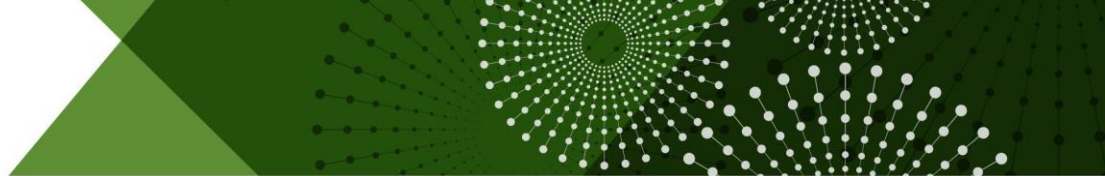
Polling Question 1

Preparers – what is the status of your NZ IFRS 18 preparation?

- A.** I have an implementation plan in place
- B.** I've started thinking about the implications of the new standard on my business
- C.** I haven't started thinking about it yet



Presentation overview



- Reasons for change
- Materiality judgements
- Roles of the primary financial statements and the notes
- Principles of aggregation and disaggregation
- Presentation and disclosure of operating expenses



Reason for change

Investor concerns

Information in the financial statements is sometimes:

- aggregated to the extent that useful information is omitted; or
- disaggregated to the extent that material information is obscured.

Solution

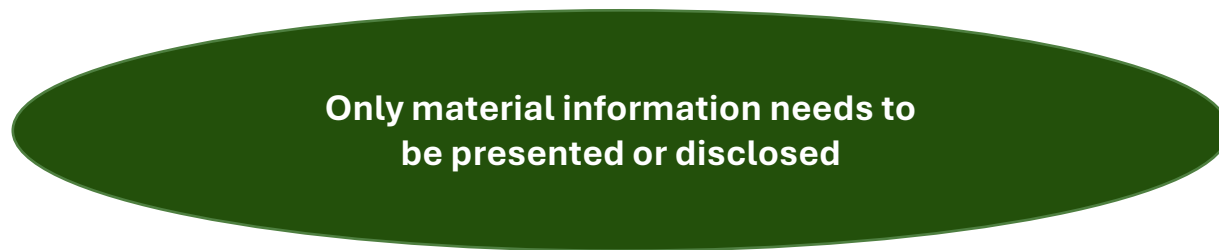
NZ IFRS 18 provides guidance on whether information should be in the primary financial statements or the notes.

NZ IFRS 18 contains guidance for the aggregation and disaggregation of information, as well on the use of meaningful labels.

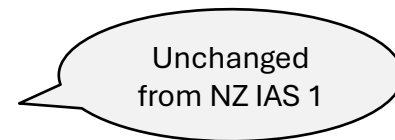


Opportunity to refresh the presentation and disclosure of information across the financial statements – helping you to enhance your communication with stakeholders

Materiality judgements



Apply the requirements in NZ IFRS 18 paragraphs B1–B5

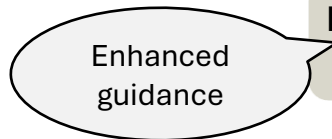


Materiality

What information to provide

Role of primary financial statements and notes

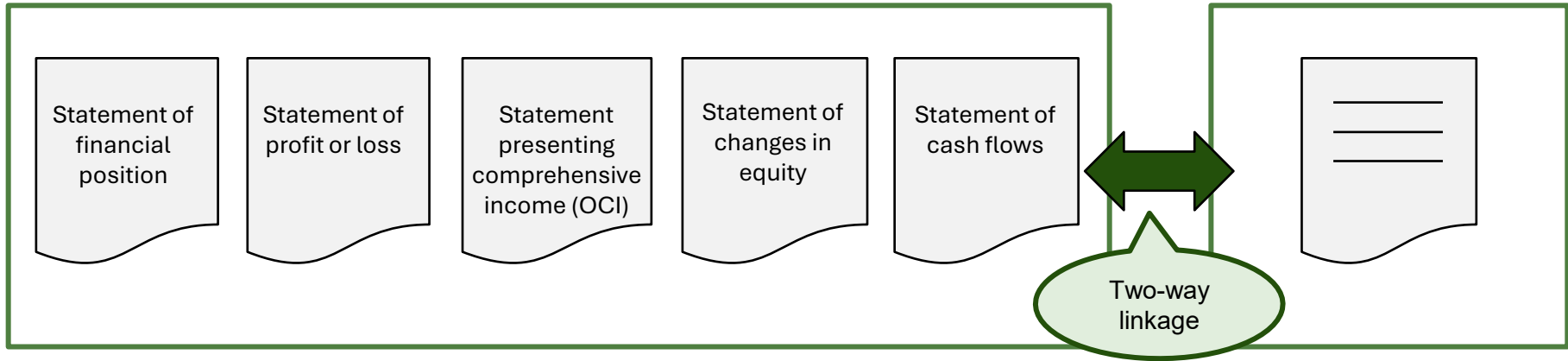
Where to provide material information



Refer to Figure 8 in IFRS 18 Supporting Materials (page 163)

Role of the primary financial statements and notes

Primary financial statements (PFS)



Role is to provide **useful structured summaries** of an entity's assets, liabilities, equity, income, expenses and cash flows

Role is to provide further **material information** and supplement the PFS

Role of the primary financial statements

Provide **structured summaries** useful to users for:

Obtaining an **understandable overview** of assets, liabilities, equity, income, expenses and cash flows

Making **comparisons** between entities, and between reporting periods for the same entity

Identifying items/areas about which users wish to seek additional information in the notes



Example – separate presentation of restructuring expenses

Understandable overview of expenses

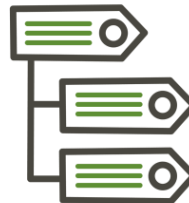
Could help users to understand an increase in total operating expenses for the period

Making comparisons

Could make other line items more comparable to amounts presented in the prior period and to amounts presented by other entities, thereby helping users with trend analyses

Identifying areas where additional information can be found in the notes

When additional information is disclosed in the notes, separate presentation (including cross-reference to the related note) could draw users' attention to it.



Line items in the primary financial statements



Specified line items in NZ IFRS

Even if described as 'minimum requirements'

Only required if necessary to provide a useful structured summary

But items must be disclosed in the notes if material

Additional line items and subtotals

Required if necessary to provide a useful structured summary

Must meet certain requirements

- Comprise amounts recognised and measured in accordance with NZ IFRS
- Compatible with the **statement structures** required by NZ IFRS 18
- Consistent from period to period
- Displayed no more prominently than the totals and subtotals required by NZ IFRS

Mandatory statement structures

PFS	Requirements
Statement of profit or loss	<ul style="list-style-type: none">• Classify in operating, investing, financing, income tax and discontinued operations categories• Present operating expenses by nature or function (or both)• Present mandatory totals and subtotals (operating profit/loss, profit/loss before financing and income taxes, profit or loss)• Allocation of profit or loss attributable to owners and non-controlling interests (NCI)
Statement presenting other comprehensive income (OCI)	<ul style="list-style-type: none">• Classify income and expenses as follows:<ul style="list-style-type: none">○ those that will be reclassified to profit or loss when specific conditions are met○ those that will not be reclassified to profit or loss• Present profit or loss, OCI and comprehensive income totals• Allocation of comprehensive income attributable to owners and NCI

Mandatory statement structures

PFS	Requirements
Statement of financial position	<ul style="list-style-type: none">• Present assets and liabilities in separate current/non-current classifications or in order of liquidity (if this provides a more useful structured summary).• Present NCI and issued capital and reserves attributable to owners.
Statement of changes in equity	<ul style="list-style-type: none">• A reconciliation* between opening and closing carrying amounts, with changes from profit or loss, OCI and transactions with owners in their capacity as owners^• The effects of retrospective application or retrospective restatement*• Total comprehensive income, showing separate totals attributable to owners and NCI
Statement of cash flows	<ul style="list-style-type: none">• Report cash flows classified by operating, investing and financing activities.

* for each component

^ with certain transactions presented separately

Role of the notes

Provide material information necessary:

To enable users to understand the line items presented in the primary financial statements (PFS)

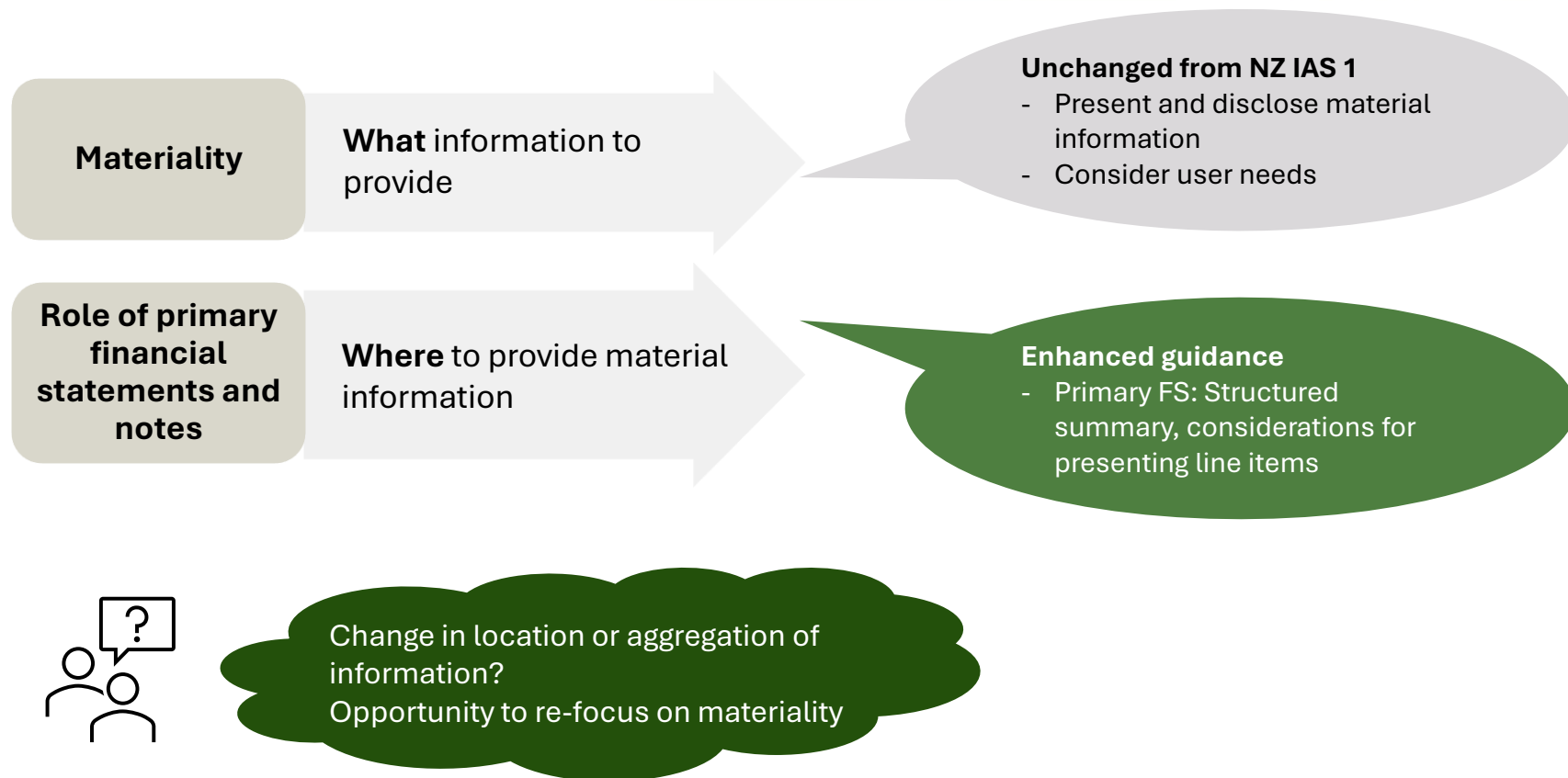
To supplement the PFS with additional information to achieve the objective of financial statements

Information specifically required by NZ IFRS –
e.g., information about unrecognised contingent assets and liabilities, required by NZ IAS 37

Additional information –
when necessary to allow users to understand the effects of transactions and other events and conditions on financial position and performance



Recap: Materiality and roles of primary FS and notes



Principles of aggregation and disaggregation



Aggregate based on
shared characteristics

Disaggregate based
on **dissimilar**
characteristics

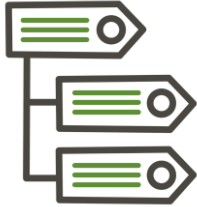
Line items

Material
information

Based on the specified
roles of the PFS and notes

Aggregation and disaggregation must not obscure material information

Basis of aggregation and disaggregation



Use professional judgement when aggregating and disaggregating

Examples of characteristics to consider

Nature

Function

Frequency

Measurement
basis

Geographical
location

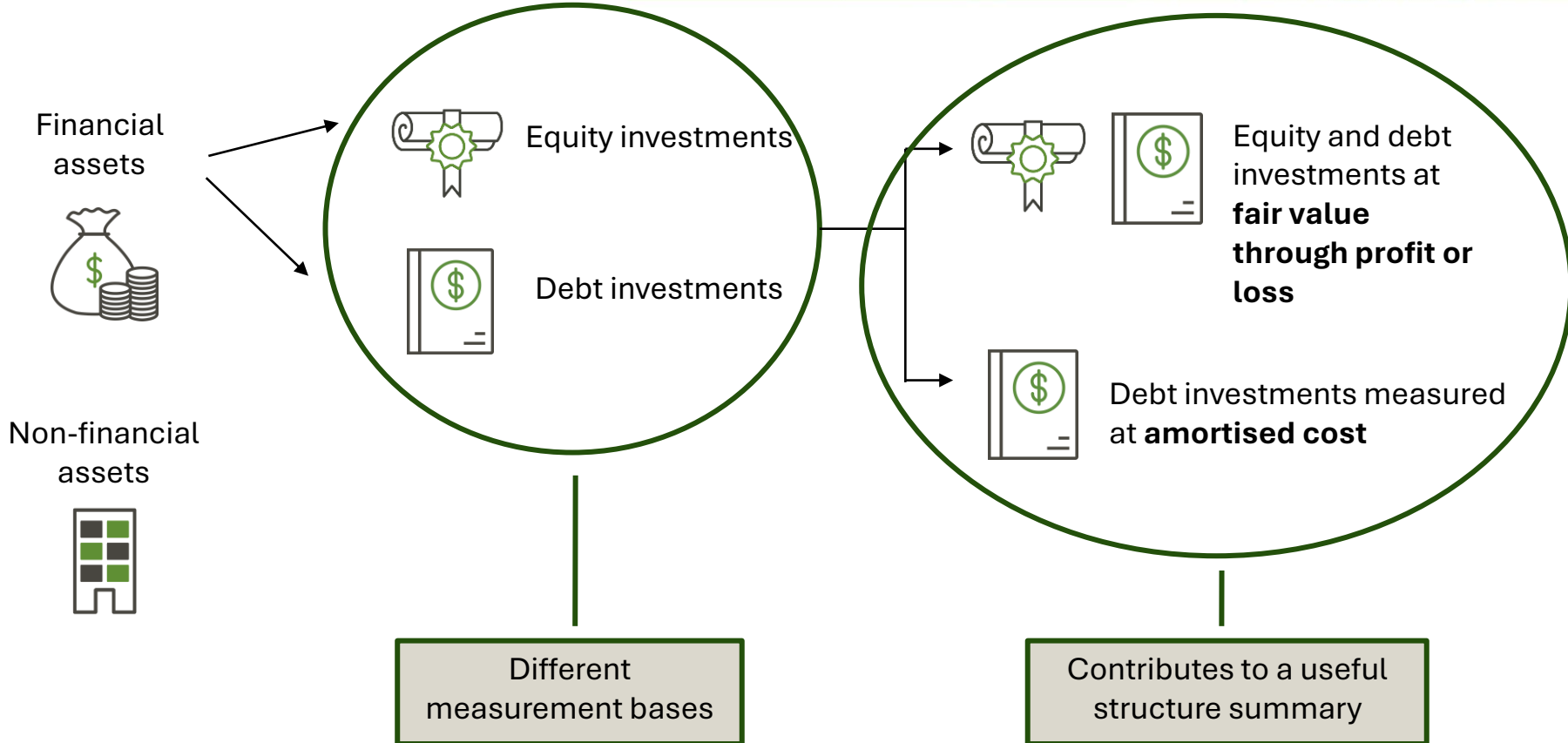
Size

Aggregated items in the PFS must have **at least one** shared characteristic.

BUT a **single** dissimilar characteristic could result in material information that needs further disaggregation.

Must disaggregate if the resulting information is material.

Example 1 – aggregation and disaggregation



Example 1 – aggregation and disaggregation



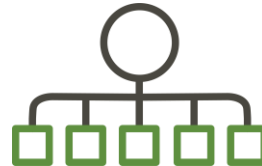
Statement of financial position (extract)

	20X2	20X1
Equity and debt investments at fair value through profit or loss	XX	XX
Debt investments measured at amortised cost	XX	XX
Total non-current assets	XX	XX
TOTAL ASSETS	XX	XX

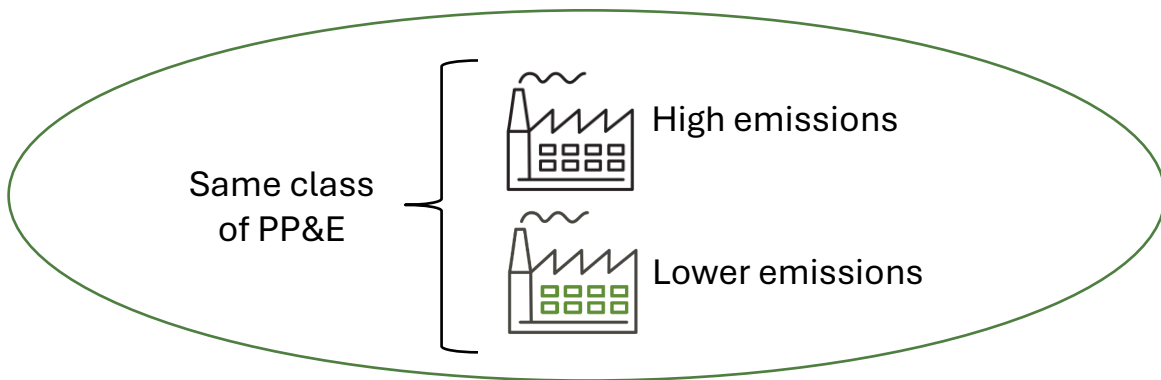
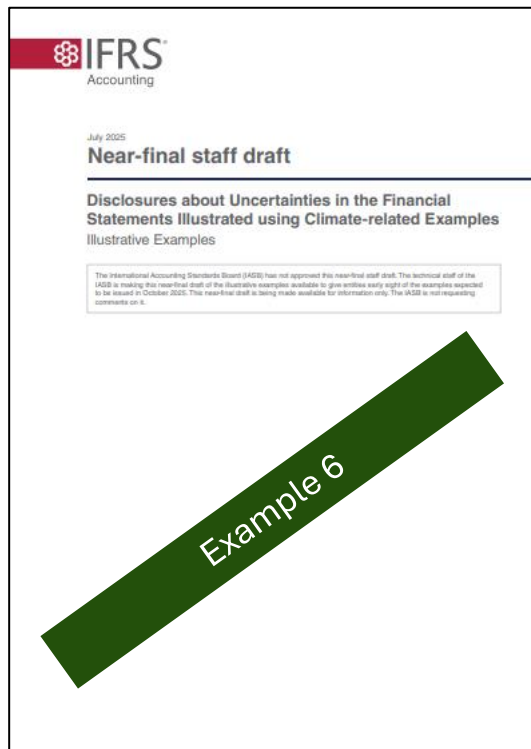


Equity and debt instruments expose the entity to different risks (dissimilar characteristic) – Must consider whether further disaggregation is required:

- in the statement of financial position – **if required for a useful structured summary**
OR
- in the notes – **if the information is material**



Example 2 – disaggregation of PP&E



Factors considered

- The size of the PP&E's carrying amount
- The significance of climate-related transition risks to the entity's operations
- External climate-related qualitative factors

Conclusion

The two types of PP&E have **sufficiently dissimilar risk characteristics** that disaggregating information about these types of PP&E would result in material information.

Description of items



Label and describe items in a way that **faithfully represents the characteristics** of the item.

Only use the label 'other' if a more informative label cannot be found

**If 'other' must
be used**

Use the most precise label possible – e.g. **other operating** expenses

For an aggregation of immaterial items – consider if users may question whether any material items are included. If so, further information must be disclosed about the aggregated amount to help users understand these are individually immaterial.

Polling Question 2

Preparers – do you think the new guidance around the use of the label ‘other’ will result in a change to the way you label and describe items?

- A.** Yes
- B.** No
- C.** Maybe



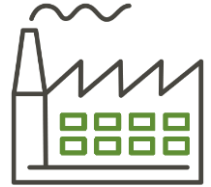
Presenting operating expenses



By nature

Or both

By function



Consider:

- What line items provide the most useful information about the main components or drivers of profitability
- What line items most closely represent the way the business is managed and internal reporting
- Standard industry practice
- Whether allocation of particular expenses to functions would be arbitrary.

Example – presenting operating expenses

Statement of profit or loss [extract]		20X2	20X1
Operating	Revenue	367,000	353,100
	Cost of sales	(241,600)	(224,100) *
	Gross profit	125,400	129,000
	Other operating income	12,200	4,100
	Selling expenses	(28,900)	(27,400) *
	Research and development expenses	(25,100)	(25,900) *
	General and administrative expenses	(20,900)	(22,400) *
	Goodwill impairment loss	(4,500)	– ^
	Other operating expenses	(1,200)	(5,600)
	Operating profit	57,000	51,800

Key
Function
Nature

* Represents how the business is managed and how management reports internally

* Standard practice within the industry

^ Presented by nature, as allocation to function line items would be arbitrary

Disclosure of expenses by nature

Not applicable for Tier 2 entities

If classifying operating expenses by function – must also disclose the amounts for certain expenses by **nature**.

- Depreciation;
- Amortisation;
- Employee benefits;
- Impairment losses and reversals of impairment losses; and
- Write-downs and reversals of write-downs of inventories.



Amounts disclosed do not need be the amounts recognised as expenses during the period – may include amounts recognised as part of the carrying amount of an asset.

Also – disclose a qualitative description of the nature of expenses included in each function line item

Example – Disclosure of expenses by nature

	20X2	20X1
Depreciation		
Cost of sales	23,710	21,990
Research and development expenses	2,515	2,590
General and administrative expenses	4,975	4,750
Total depreciation	31,200	29,330
Amortisation		
Research and development expenses	13,840	12,690
Total amortisation	13,840	12,690
Employee benefits		
Cost of sales	61,640	57,175
Selling expenses	7,515	7,110
Research and development expenses	6,545	6,750
General and administrative expenses	8,920	5,825
Total employee benefits	84,620	76,860
Impairment losses^(a)		
Research and development expenses	1,600	1,500
Goodwill impairment loss	4,500	–
Total impairment losses	6,100	1,500
Write-down of inventories^(a)		
Cost of sales	2,775	2,625
Total write-down of inventories	2,775	2,625

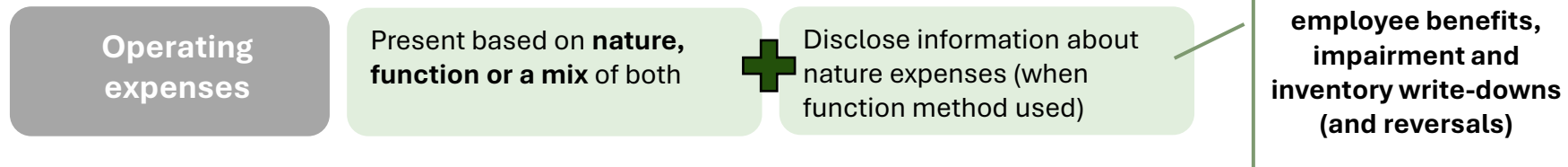
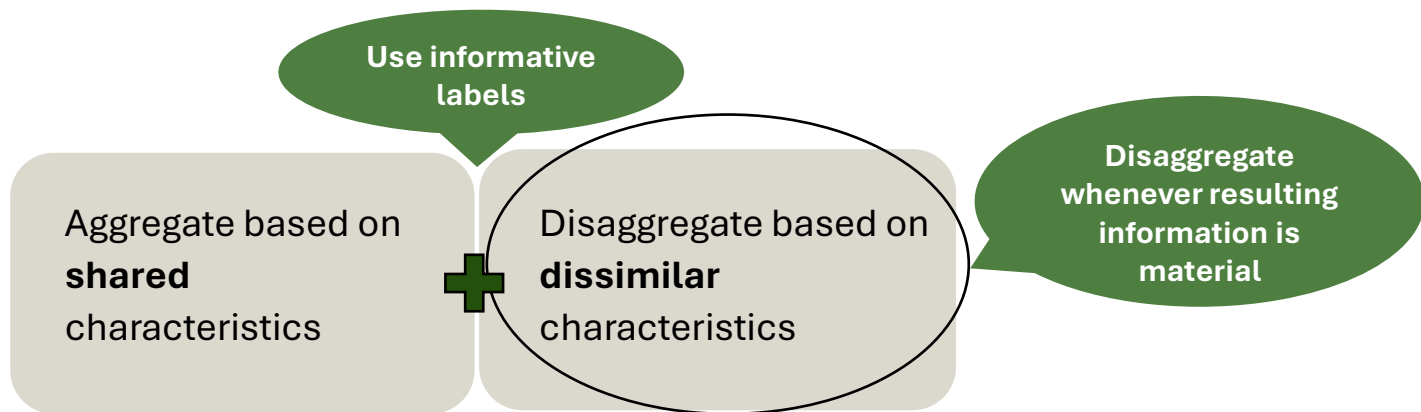
Extract from IASB Illustrative example Part I
(Note 1 page 137)



(a) The amounts disclosed represent the total of impairment losses and reversals of impairment losses and the total of write-down of inventories and reversals of write-down of inventories.



Recap: Aggregation and disaggregation



Do not apply a checklist approach – must apply judgement on material items and shared characteristics

Polling Question 3

For which of these requirements would you most want to see more examples?

- A. Determining **where** to present or disclose material information (i.e., in the primary financial statements or the notes)
- B. Aggregating and disaggregating information
- C. Presentation and disclosure of operating expenses



Educational material

Monthly newsletter



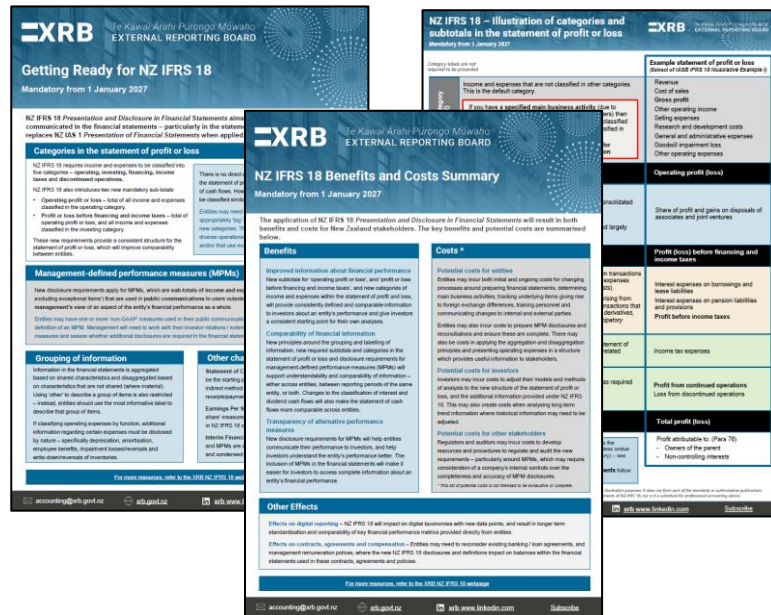
Recordings



IASB material

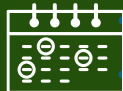


One-page fact sheets



All educational material is available on our [NZ IFRS 18 webpage](#)

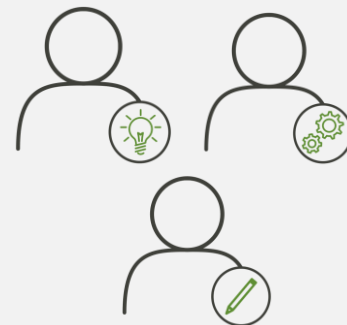
Upcoming event – Community of Practice roundtable



Thursday 21 August – 9:30am – Midday

Icehouse – Parnell, Auckland

- An opportunity for you to connect with peers to share insights and challenges experienced in your preparation for NZ IFRS 18 to date.
- Recommended for:
 - Finance managers
 - Financial controllers
 - Others closely involved in implementing NZ IFRS 18
- Email accounting@xrb.govt.nz if you are interested

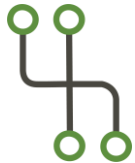


Please note – this is not a training session on the new requirements, this is an event where preparers can come together to share experiences/challenges/learnings.

Key considerations for preparers



Application of significant judgement may be required



Comparatives must be restated

Key considerations

Financial statements may look different



Engage with auditors early in the transition process



Ensure the appropriate level of management is involved





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Thank you
Mā te wā