



*Te Kāwai Ārahi Pūrongo Mōwaho*  
**EXTERNAL REPORTING BOARD**

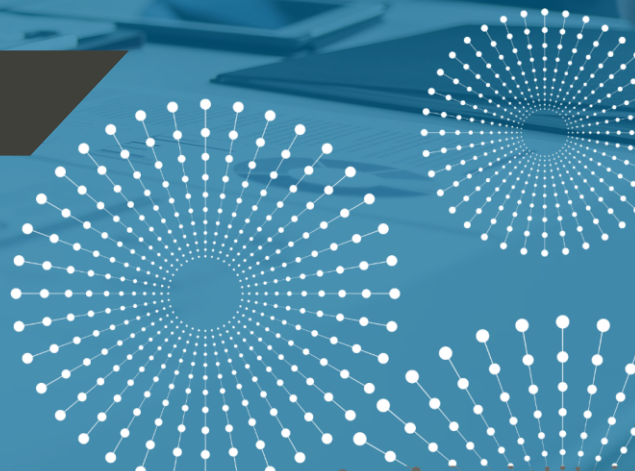
# Deep Dive on NZ IFRS 18 Presentation and Disclosure in Financial Statements

**Management-defined performance measures**



**Tuesday 7 October 2025**

**12:30pm – 1:30pm**





*Te Kāwai Ārahi Pūrongo Mōwaho*  
**EXTERNAL REPORTING BOARD**

# Deep dive on NZ IFRS 18

## Management-defined performance measures

### Presenters:

**Nimash Bhikha**

Technical Director, Accounting Standards

**Carly Berry**

Senior Project Manager, Accounting Standards





*Te Kāwai Ārahi Pūrongo Mōwaho*  
**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.

## What we deliver

- Reporting strategies and frameworks
- Financial reporting standards
- Climate standards
- Auditing and assurance standards



**Who must apply our standards** is determined by legislation



**What standards apply** is determined by the XRB

## Our strategy

**Internationally aligned, locally relevant**

## Our strategic priorities



**Fit for purpose**



**Supporting adoption and implementation**



**Integrated reporting**



**Public benefit entities**

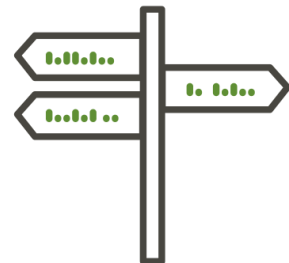
# Presentation overview



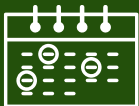
## Management-defined performance measures (MPMs)

- Reasons for new disclosures
- Identification of MPMs
- Disclosures about MPMs
- Key considerations for preparers

Tier 2 entities



# Overview of NZ IFRS 18



**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**

Deep dive – Aug 2025

**Disclosures about  
management-defined  
performance  
measures**

  
**Today's deep dive**

RDR concessions  
available on **all**  
disclosures

# Reasons for new disclosures



## Current situation

- Some entities use non-GAAP measures to communicate aspects of their financial performance to users.
- These measures are typically communicated outside the financial statements and are therefore unaudited.

## User concerns

- Not always clear **why** a particular non-GAAP measure is communicated or **how** it was calculated.
- Sometimes difficult to find information about these measures.

## Solution

NZ IFRS 18 requires you to:

- identify a subset of non-GAAP measures (MPMs), using a specific definition.
- disclose information about those measures **within** the notes to the financial statements, to make them more transparent.

Therefore,  
subject to audit

# Identifying an MPM



# Subtotal of income and expense



## Examples

- Adjusted profit
- Normalised / Underlying earnings
- Adjusted earnings before interest, tax, depreciation and amortisation



## Not MPMs

- Measures that are not subtotals of income **and** expense
- Required subtotals under NZ IFRS
- Commonly understood or well-defined subtotals

See  
paragraph  
118



## Might be MPMs

- The **numerator or denominator** of a financial ratio
- EBITDA
- Individual segment measures



These subtotals do not need to be presented in the statement of profit or loss to be MPMs



# Used in public communications outside the financial statements



A subtotal meets the definition of an MPM only if an entity uses it in public communications *outside* its financial statements



## Examples of public communications

- Management commentary
- Press releases
- Investor presentations

Important to understand what financial information is included



## Not public communications



- Oral communications
- Written transcripts of oral communications
- Social media posts

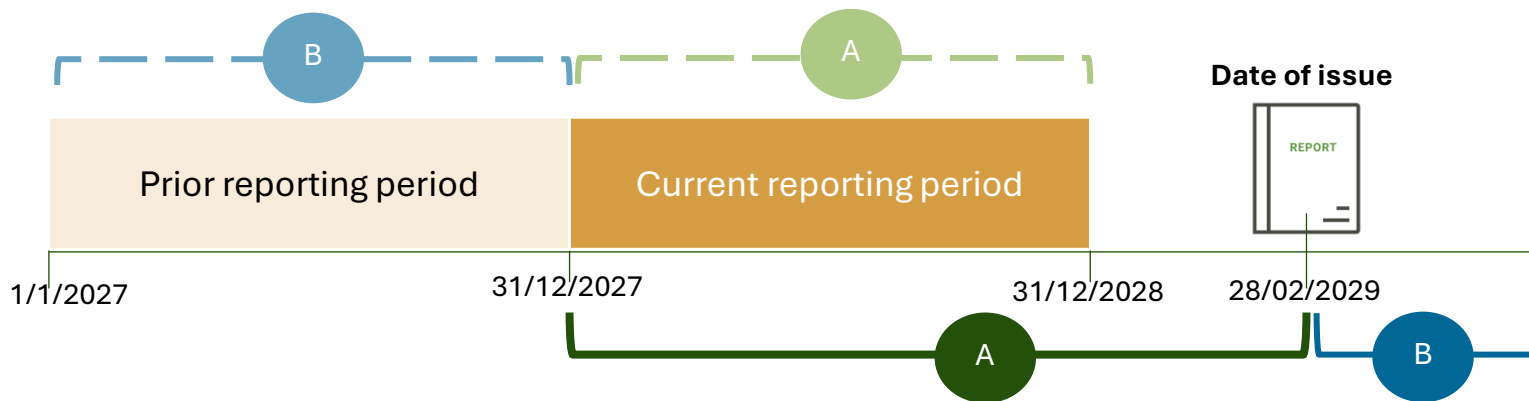
# Timing of public communications

Examples of which public communications to consider when identifying MPMs:

- A** The company issues public communications **up to** the date of issue of the f/s
- B** The company issues public communications **after** the date of issue of the f/s

## Key

-  Public comms issued
-  Period that public comms relate to



**A measure used in public comms during the prior reporting period might not be an MPM in the current reporting period (evidence required to support this)**

# Communicates management's view

## Rebuttable presumption

A subtotal of income and expenses used in public communications outside of the financial statements represents management's view of an aspect of the financial performance **of the entity as a whole**

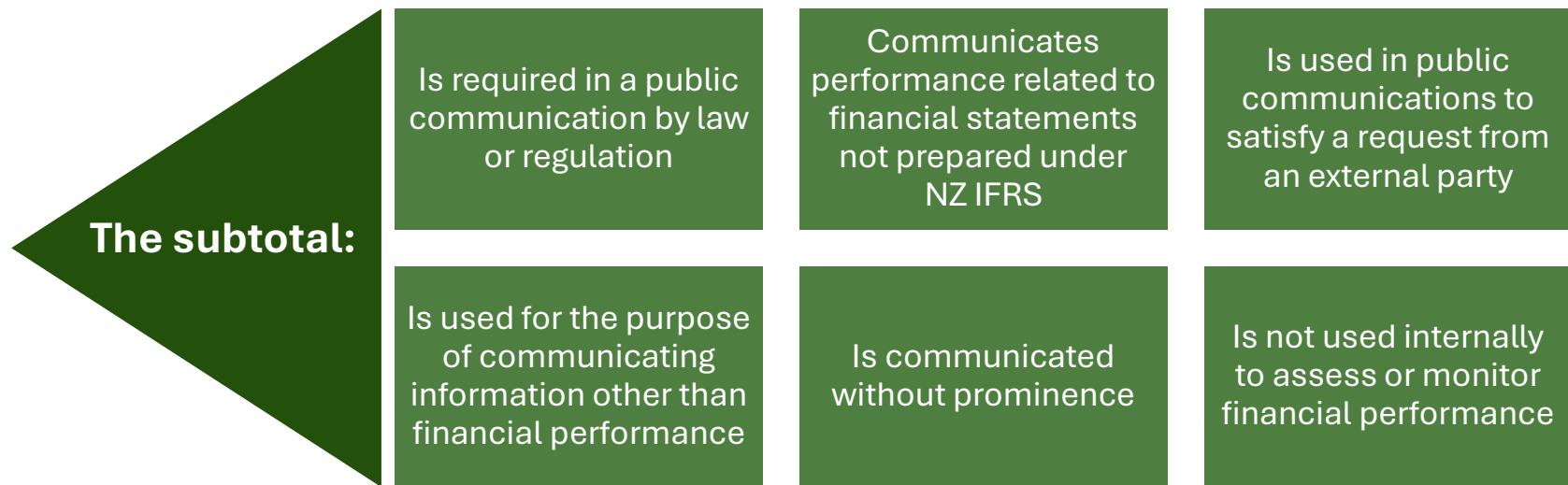
Rebut the presumption with **reasonable and supportable evidence** that demonstrates:

The subtotal **does not** communicate management's view of an aspect of financial performance as a whole.



There is a reason for using the subtotal in public communications **other than** communicating management's view

# Examples of reasonable and supportable information



**BUT** need to consider the similarity of subtotals used internally to ones used in public communications

# MPMs in the statement of profit or loss



**Contribute to a useful structured summary**



**Compatible with the statement structure**



**Comprise amounts recognised and measured in accordance with NZ IFRS**



**Even if not presented in the statement of profit or loss, an MPM must still faithfully represent the aspect of performance that it claims to represent.**

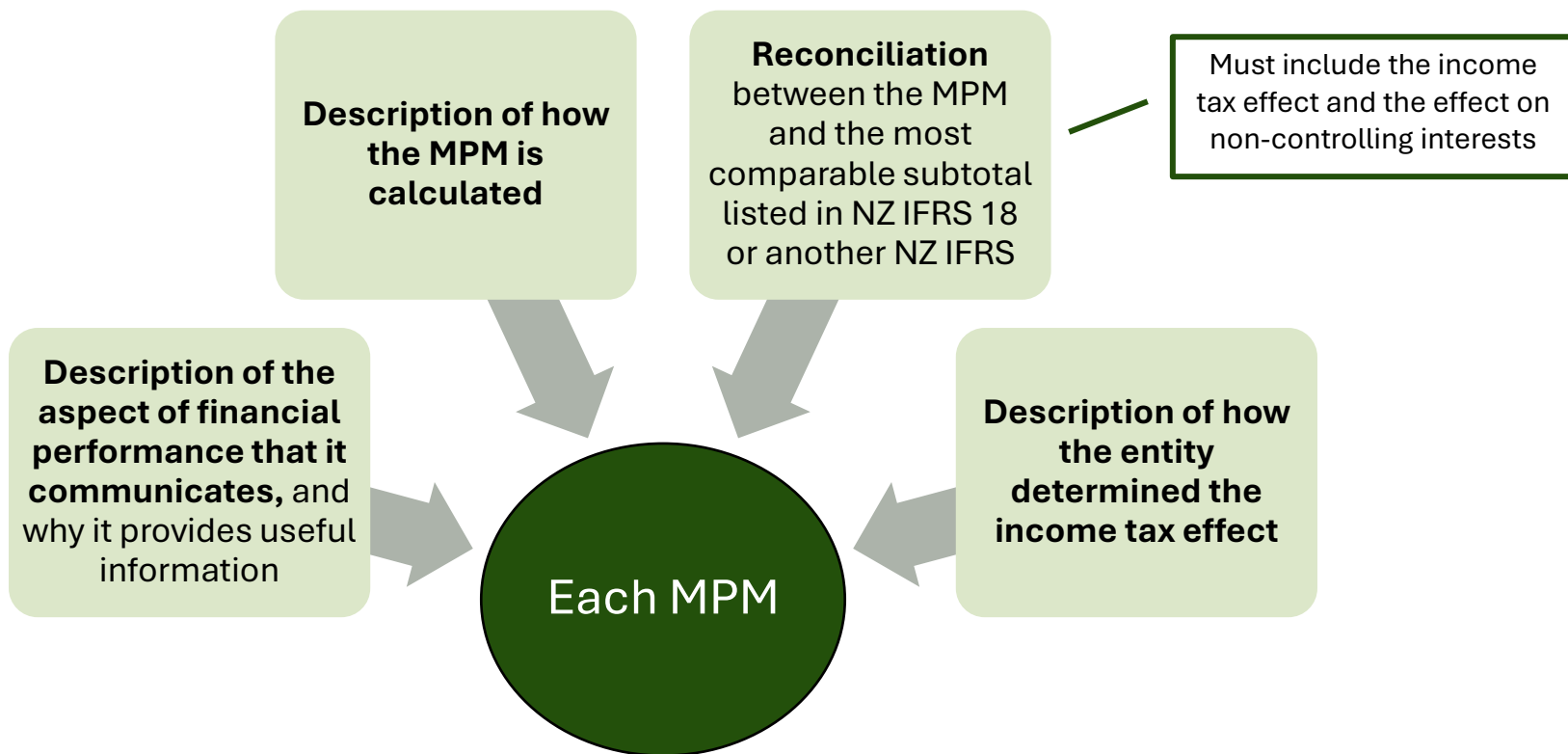
# MPM disclosures – general

- Disclose information about MPMs in a **single note**.
- Statement that the MPMs:
  - provide management's view of an aspect of the financial performance of the entity as a whole.
  - are not necessarily comparable with measures sharing similar labels or descriptions provided by other entities.
- Label and describe MPMs in a clear and understandable manner.

Exception for MPMs relating to reportable segment information



# MPM disclosures – for each MPM



# Income tax effect for each item in the reconciliation



**This is likely to be a new requirement for those entities that are already providing reconciliations of non-GAAP measures to NZ IFRS amounts.**

Income tax effects of the underlying transaction calculated based on the following methods:

The statutory rate applicable to the transaction in the tax jurisdiction(s) concerned

A reasonable pro rata allocation of the current and deferred tax of the entity in the tax jurisdiction(s) concerned

Another method that achieves a more appropriate allocation in the circumstances



# Example – MPM disclosures

## XYZ Group's management-defined performance measures

XYZ Group uses the management-defined performance measures adjusted operating profit and adjusted profit from continuing operations in its public communications. These measures are not specified by IFRS Accounting Standards and therefore might not be comparable to apparently similar measures used by other entities.

To provide management's view of XYZ Group's financial performance, operating profit and profit from continuing operations have been adjusted for items of income or expense that XYZ Group does not expect to arise for several future annual reporting periods. XYZ Group's management believes adjusting operating profit and profit from continuing operations for such items provides information that is helpful in understanding trends in XYZ Group's underlying profitability.

XYZ Group generally adjusts for these items of income or expense:

- impairment losses (or reversals thereof) of property, plant and equipment (including right-of-use assets) and intangible assets (for information related to impairments refer to Note X Property, plant and equipment, Note X Intangible assets and Note X Research and development expenses);
- restructuring expenses (for information related to restructuring expenses refer to Note X Employee benefits and Note X General and administrative expenses);
- non-recurring litigation expenses (for information related to litigation expenses refer to Note X Provisions and Note X General and administrative expenses);
- gains or losses on disposal of property, plant and equipment and of intangible assets (for information related to disposal of property, plant and equipment and intangible assets refer to Note X Property, plant and equipment, Note X Intangible assets and Note X Other operating income); and
- gains or losses on disposal of subsidiaries, associates and joint ventures.

XYZ Group assesses non-recurrence of litigation expenses on a case-by-case basis. XYZ Group generally categorises litigation expenses arising from intellectual property disputes, regulatory violations and employee claims as 'non-recurring'. This classification is based on XYZ Group's proactive approach of having in place measures designed to prevent such events from occurring.

## Example – MPM reconciliation

	NZ IFRS	Adjusting items			MPM
		Impairment losses	Restructuring expenses	Gains on disposal of property, plant and equipment	
Other operating income		–	–	(1,800)	
Research and development expenses		1,600	–	–	
General and administrative expenses		–	3,800	–	
Goodwill impairment loss		4,500	–	–	
<b>Operating profit / Adjusted operating profit</b>	<b>57,000</b>	<b>6,100</b>	<b>3,800</b>	<b>(1,800)</b>	<b>65,100</b>
Income tax expense		–	(589)	297	
<b>Profit from continuing operations / Adjusted profit from continuing operations</b>	<b>32,100</b>	<b>6,100</b>	<b>3,211</b>	<b>(1,503)</b>	<b>39,908</b>
Profit attributable to non-controlling interests		305	161	–	

## Example – MPM reconciliation (supplementary)



Impairment losses	Impairment losses incurred in <b>20X2</b> did not yield any tax benefits because they were not eligible for tax deductions in Country A and Country B.
Restructuring expenses	The restructuring expenses in <b>20X2</b> are related to XYZ Group's restructuring programme 'Apollo <b>20X2</b> '. These expenses include redundancy expenses, employee retraining expenses and relocation expenses, all related to the closure of several factories in Country C. The tax effect of these restructuring expenses is calculated based on the statutory tax rate applicable in Country C at the end of <b>20X2</b> , which was 15.5%.
Gains on disposal of property, plant and equipment	The tax effect of gains on disposal of property, plant and equipment is calculated based on the statutory tax rate applicable in Country D at the end of <b>20X2</b> , which was 16.5%.

# Changes to MPMs across reporting periods

## Changes include:

- A change in the calculation of an MPM
- Introducing a new MPM
- Ceasing to use a previously disclosed MPM

## Disclosure requirements

An explanation of the change, addition or cessation and its effects

The reasons for the change, addition or cessation

Restated comparative information to reflect the change, addition or cessation

Unless impracticable to do so

# Impact of NZ IFRS 18 on current non-GAAP measures



No restrictions on which non-GAAP measures can be used, but information about MPMs must be disclosed in the financial statements



Likely require more detailed information than what is currently provided for non-GAAP measures



New defined subtotals in NZ IFRS 18 may reduce the use of some non-GAAP measures



FMA guidance around disclosing non-GAAP measures should still be considered – NZ IFRS 18 requirements must be complied with for the financial statements.



# Key considerations for preparers



Application of significant judgement may be required

Ensure the appropriate level of management – and the investor relations team – is involved

## Key considerations

Comparatives for MPMs are required

MPMs are subject to audit – engage with auditors early



# Educational material

## Monthly newsletter



### Accounting Standards Alert

17 April 2025


**NZ IFRS 18 on the 18th**  
Presentation and Disclosure in Financial Statements

## IASB material




## One-page fact sheets

## Recordings




### IFRS 18 Insights with IASB Vice-Chair Linda Mezon-Hutter




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

New categories and subtotals in the statement of profit or loss



### NZ IFRS 18 Presentation and Disclosure in Financial Statements


An overview of the new requirements



### 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




### NZ IFRS 18 Benefits and Costs Summary

Mandatory from 1 January 2027

The application of NZ IFRS 18 Presentation and Disclosure in Financial Statements will result in both benefits and costs for New Zealand stakeholders. The key benefits and potential costs are summarised below.

Benefits	Costs *
Improved information about financial performance New criteria for 'materiality' of loss and profit to loss before financing and income taxes, and new categories of income and expenses within the statement of profit or loss, will provide consistently defined and comparable information to investors about an entity's performance and give investors a consistent starting point for their own analysis. Comparability of financial information New principles about the grouping and labelling of information, new required subtotals and categories in the statement of profit or loss and disclosure requirements for management-defined performance measures (MPMs) will support understanding and comparability of information, other source entities, between reporting periods of the same entity, or both. Changes to the classification of interest and dividend cost flows will also make the statement of cash flows more comparable across entities. Transparency of accounting performance Increased New disclosure requirements for MPMs will help entities communicate their performance to investors, and help management understand the entity's performance better. The inclusion of MPMs in the financial statements will make it easier for investors to access complete information about an entity's financial performance. Other Effects Effects on digital reporting – NZ IFRS 18 will impact on digital business information and comparability of financial performance metrics. Effects on contracts, agreements and compensation – Entities may management remuneration policies, where the new NZ IFRS 18 disclosure requirements used in these contracts, agreements and policies.	Costs If you have a significant main business activity (due to investing in assets or providing financing) to customers that same income and expenses that would have been classified in the operating category would be classified in the operating category (refer to para 40-41). Refer to IASB Illustration examples 3.2 and 3.3 for specific illustrative examples of this classification.

For more resources, refer to the NZ IFRS 18 website: [www.xrb.govt.nz](https://www.xrb.govt.nz)



### NZ IFRS 18 – Illustration of categories and subtotals in the statement of profit or loss


Mandatory from 1 January 2027

Company A has one net operating activity.

Income and expenses that are not classified in other categories. This is the default category.

If you have a significant main business activity (due to investing in assets or providing financing) to customers that same income and expenses that would have been classified in the operating category would be classified in the operating category (refer to para 40-41).  
Refer to IASB Illustration examples 3.2 and 3.3 for specific illustrative examples of this classification.

Operating category	Other categories
Revenue Cost of sales Gross profit Other operating income Selling expenses Research and development costs General and administrative expenses Goodwill impairment loss Other operating expenses	Revenue Cost of sales Gross profit Other operating income Selling expenses Research and development costs General and administrative expenses Goodwill impairment loss Other operating expenses



### Getting Ready for NZ IFRS 18

Mandatory from 1 January 2027

NZ IFRS 18 Presentation and Disclosure in Financial Statements aims to improve how information is communicated in the financial statements – particularly in the statement of profit or loss. NZ IFRS 18 replaces NZ IAS 1 Presentation of Financial Statements when applied.

Categories in the statement of profit or loss	Other changes
NZ IFRS 18 requires income and expenses to be classified into five categories – operating, investing, financing, income taxes and discontinued operations. NZ IFRS 18 also introduces two new voluntary subtotals: Operating profit or loss – total of all income and expenses classified in the operating category. Profit or loss before financing and income taxes – total of all income and expenses classified in the operating category. These new requirements provide a consistent disclosure for the statement of profit or loss, which will improve comparability across entities. Management-defined performance measures (MPMs) New disclosure requirements apply for MPMs, which are subtotals of income and expense (such as underlying profit or profit excluding exceptional items) that are used to present information to users outside the financial statements to communicate management's view of an aspect of the entity's financial performance as a whole. Entities may have one or more than one MPM. Entities should use the same MPMs to identify these measures and assess whether additional disclosures are required in the financial statements.	There is no direct relationship between the new categories in the statement of profit or loss and those within the statement of cash flows. However, it may be possible that certain transactions could be identified similarly in both statements. Entities may need to adjust accounting systems to appropriately 'tag' and classify income and expenses into the new categories. This may be complex for entities with diverse operations with various main business activities and/or that use multiple reporting systems. Other changes Statement of Cash Flows – Operating profit or loss must be the starting point for operating cash flows when using the indirect method. Presentation choices for interest & dividend income/expenses have been revised for most entities. Earnings Per Share – The numerator in additional per share measures must be either a total, or subtotal, classified as NZ IFRS 18 or a subtotal MPM. Income Tax Reporting – Disclosure of new subtotals and MPMs are also required in notes. Financial statements and consolidated financial statements.

For more resources, refer to the NZ IFRS 18 website: [www.xrb.govt.nz](https://www.xrb.govt.nz)

All educational material is available on our [NZ IFRS 18 webpage](https://www.xrb.govt.nz)





Te Kāwai Ārahi Pūrongo Mōwaho  
EXTERNAL REPORTING BOARD



Thank you  
*Mā te wā*