



EXTERNAL REPORTING BOARD
Te Kāwai Ārahi Pūrongo Mōwaho

Alternative Performance Measures: A New Zealand user-needs survey

July 2017

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EXECUTIVE SUMMARY

Introduction

1. The External Reporting Board (XRB) surveyed external users of financial reports between November 2016 and January 2017 to find out whether they find Alternative Performance Measures (APMs) useful.
2. APMs are company performance measures other than those reported in a company's financial statements. Examples of APMs include "underlying profits", "normalised profits", EBIT (earnings before interest and tax) and EBITDA (earnings before interest, tax, depreciation and amortisation).
3. The objective of the survey was to determine, among other matters:
 - Whether external users of company reports find APMs useful, or are confused by the reported APM information commonly disclosed by companies;
 - Whether and how the presentation and disclosure of company performance to external users can be improved; and
 - Whether external users understand the specific APMs and related information that are disclosed by companies.
4. The XRB was also interested to know whether there was a difference in the views and/or information needs between users who consider themselves to be "prudent but non-expert users of financial information" (non-expert users) and those who consider themselves to be "professional and/or expert users of financial information" (expert users).
5. A total of 87 users, mainly individual equity investors, responded to the survey. While the survey did not use a randomly-directed sample, the survey elicited a reasonable response with a wide range of views from the respondents.
6. Seventy-five respondents responded to the question about their level of expertise (whether they consider themselves to be non-expert users or expert users of financial information). Of these, 34 indicated they were non-expert users and 32 indicated they were expert users. The 9 remaining respondents classified themselves as "Other"¹.
7. The responses from the majority of both non-expert users and expert users were generally consistent. There were variations in the percentage response rates to individual questions but there were no statistical significant² differences between the two groups for the use of APMs, their information needs and/or their understanding of APMs and related information.

Overall conclusion

8. A wide range of views were obtained, covering extreme views both for and against the usefulness of APMs. Views range from a respondent who does "not invest in companies which fail to provide an APM" to another respondent who "takes no notice of APMs". However, notwithstanding the wide range of views, the majority of the respondents provided a clear and consistent message.

¹ The survey asked respondents for further comment if they indicate "Other". Comments in the "Other" group indicate the respondents generally consider themselves to have better than average experience and expertise in using and understanding financial information.

² Except for the response to Question 6 relating to requests for APMs from companies, Chi-square tests conducted on each question indicated no significant differences in the responses between the non-expert users and the expert users.

9. APMs are widely used by, and are considered useful to, the majority of the 87 respondents to the survey, subject to caveats about the disclosure of the APMs and related information. While some respondents were sometimes perplexed by the reasons given by companies for the APMs and/or their adjustments, the majority of respondents, whether non-expert users or expert users, do not in general appear to be confused by the APMs and/or their related information. Instead, most of the respondents appear to be discerning in their use of the APMs and the related information disclosed by companies. Respondents make various comments and suggestions to improve the disclosure of APMs and related information, including the desire for the information to be subject to assurance and having clear definitions for terms like “recurring” and “non-recurring”, indicating they understood and recognised the current limitations of APMs.
10. In summary:
- Respondents use APMs but they are used as a supplement to, or in conjunction with, GAAP measures: APMs are not usually used by respondents as the primary indicator of company performance on their own;
 - Respondents find the disclosure of APMs, including multiple APMs, to be useful for different purposes: however, these were subject to caveats about their use and the appropriateness of the adjustments that companies make in deriving the APMs;
 - Respondents consider additional information and explanations accompanying APMs, particularly reconciliations between APMs and GAAP measures, to be useful, “vital” and “essential” to understand the APMs: however, respondents consider companies were either not disclosing, or not explaining clearly, why APMs rather than GAAP measures were useful for assessing company performance;
 - Respondents generally understand the purpose and additional information about the APMs: however, they did not necessarily always agree with the choice of the APMs, their purpose, their adjustments or their related explanations;
 - Respondents prefer APMs to have clear definitions and conform to standardised definitions: respondents consider companies that make further adjustments to APMs that have a “standard” definition or calculation undermined the comparability of the APMs, and hence their usefulness;
 - Respondents appear to use APM cautiously, “with grain of salt”: they question the company’s purpose and intentions for disclosing APMs and the adjustments made (especially the tendency for APMs to paint a “rosier” picture than GAAP measures); and
 - Respondents want APMs and related information to be assured: however, the lack of clarity whether the APM and related information has been subject to assurance made it difficult to determine if the APM and related information were appropriate, neutral, credible and reliable.

SECTION 1: INTRODUCTION

Background

11. The External Reporting Board (XRB) launched a survey in November 2016 to find out whether external users of company reports find Alternative Performance Measures (APMs) useful.
12. APMs are company performance measures other than those reported in a company's financial statements. Examples of APMs include "underlying profits", "normalised profits", EBIT (earnings before interest and tax) and EBITDA (earnings before interest, tax, depreciation and amortisation).
13. There is a growing international trend for companies to disclose APMs. Regulators and, more recently, international standard setters are taking an increased interest in such reporting.
14. The XRB was keen to gain a better understanding of external users' information needs, including their need for APMs. The focus of the survey on the needs of external users of financial information is consistent with the XRB's user-needs research strategy. The responses to the survey and the findings from the survey will help inform the XRB on future decisions about the requirements of XRB's standards, as well as inform discussions on policy matters, both locally and internationally.

Research objective

15. The objective of the survey was to determine, among other matters:
 - Whether external users of company reports find APMs useful, or are confused by the reported APM information commonly disclosed by companies;
 - Whether and how the presentation and disclosure of company performance to external users can be improved; and
 - Whether external users understand the specific APMs and related information that are disclosed by companies.
16. The XRB was also interested to know whether there was a difference in the views and/or information needs between users who consider themselves to be "prudent but non-expert users of financial information" (non-expert users) and those who consider themselves to be "professional and/or expert users of financial information" (expert users).

Period of survey

17. The survey was open for three months from early November 2016 to the end of January 2017.

Methodology and sample

18. The survey was a web-based survey using the application, SurveyMonkey, and comprised a questionnaire containing 24 questions.
19. The survey was directed at external users of company reports who are familiar with APMs or have views about the use of APMs. While the survey did not use a randomly-directed sample, the survey elicited a reasonable response with a wide range of views from the respondents.
20. Respondents were encouraged to supplement their responses with additional comments, explanations and/or reasons to support their response. Many did.
21. The survey was disseminated to users in the following ways:

- Directly by email to the XRB’s Communique recipients and database of financial report users;
- Through the internet on the XRB’s website and on LinkedIn; and
- Through the New Zealand Shareholders’ Association in a newsletter to their members.

22. A copy of the survey questionnaire is attached to this report as **Appendix 1**.

Terminology and definitions

23. Terminology used by companies for APMs may differ. Commonly disclosed APMs include “underlying profits”, “adjusted profits”, “normalised profit” and EBITDA.

24. In the survey, APMs are stated to be performance measures other than those reported in an entity’s financial statements (referred to as GAAP measures). For the purpose of the survey, the following working definitions were used:

- A "GAAP measure" is one that is taken directly from a line item or a sub-total that is presented on the face of the company’s financial statements, for example, “profit before tax”, “profit from continuing operations”, “profit for the year”; and
- An "APM" is one that adds to, or subtracts from, a GAAP measure selected line items from the financial statements or components of that GAAP measure. For example, deducting interest, depreciation and amortisation expenses from “profit before tax” to derive EBITDA or deducting “one-off” or “non-recurring” items to derive an “underlying profit”.

Types of questions/areas of focus

25. Besides different terminology used by companies, APMs disclosed by companies may be significantly different from the measures of performance presented on the face of the company’s financial statements.

26. In some instances, a company may disclose more than one APM. Even when the same term is used for an APM, different companies may calculate the APM differently by making different adjustments to the “standard” calculation of the APM.

27. APMs are often not subject to any assurance (audit or review) by auditors as they may not form part of the audited financial statements.

28. Given these factors, our survey focused on eliciting external users’ views on three key areas:

- Are APMs useful to users for making decisions about company performance?
- How can performance measures be improved (including whether APMs and related information should be assured)? and
- Are specific APMs disclosed by companies understandable to users?

Summary of respondent information

Total number of respondents:

29. A total of 87 users responded to the survey.

30. Not all 87 respondents answered every question in the survey. However, all relevant responses to each question were analysed and considered in drafting the findings. The percentage figures reported for each question is therefore based on the number of responses to each question (which is sometimes less than 87 responses).

Breakdown of respondent by user group:

31. A total of 75 respondents answered the question asking them to indicate which user group (or user groups) best describes them or the organisation they work for. Respondents could classify themselves under more than one user group for example, a respondent could be both an “individual equity investor” and an “intermediary/advisor to investors”. The numbers in each user group are as follows:
- 73 respondents indicated the “individual equity investor”/“individual debt investor” groups;
 - 6 respondents indicated the “institutional equity investor”/“institutional debt investor” groups;
 - 8 respondents indicated the “intermediary/advisor to investors” group; and
 - 20 have been classified broadly as “Others” (comprising other creditors, financial/prudential regulators, media commentators and others).
32. Of the 75 respondents:
- 57 respondents classified themselves under only one user group;
 - 16 respondents classified themselves under more than one user group; and
 - 2 respondents classified themselves only as “Other” (a Chartered Accountant (CA) and a respondent from the Education sector).

Breakdown of respondent expertise:

33. A total of 75 respondents answered the question asking them to indicate whether they consider themselves to be “a prudent but non-expert user of financial information” or “a professional and/or expert user of financial information”:
- 34 indicated they were “a prudent but non-expert user of financial information”;
 - 32 indicated they were “a professional and/or expert user of financial information”; and
 - 9 classified themselves as “Other”.
34. The survey asked respondents for further comment if they indicate “Other”. Comments in the “Other” group indicate the respondents generally consider themselves to have a better than average experience and expertise in using and understanding financial information.

SECTION 2: ANALYSIS OF SURVEY RESPONSES

36. Section 2 summarises the responses and the many additional comments from respondents by question.

Are APMs useful?

37. Questions 1 to 7 of the survey asked users about the use and usefulness of APMs.

Q1 Are APMs useful to you for assessing company performance when you are making decisions about a company?

Response	# Respondents	%
Yes	58	66.7
Sometimes	19	21.8
No	10	11.5
Total	87	100%
# Comments	38	43.6%

38. In general, APMs are used and are considered useful by the respondents for assessing company performance. However, respondents gave a wide range of views, from “I take no notice of APMs, relying instead on information in notes to the financial statements” to “...APMs are more important than financial accounting measures such as NPAT [net profit after tax]”. One respondent commented that “Profit before tax as a measure has now become cluttered with irrelevant numbers that are not measures of trading performance”.
39. A majority of the respondents (66.7% of the 87 respondents to this question) considered APMs to be useful, with another 21.8% considering APMs to be “sometimes useful”. These respondents described the APMs as “most helpful”, “very important” and “absolutely necessary”. APMs were seen to help respondents to clarify, understand, determine and/or assess the nature of a company’s business, its primary business activity, its underlying performance and/or its future prospects (excluding “one-off” transactions). APMs were also considered helpful where valuation changes impacted on company performance and as an indication of management’s view of the company’s “core earnings” and “transitory earnings”. Respondents indicated that core earnings are useful for estimating future earnings.
40. Of the 87 respondents, 11.5% did not find APMs to be useful: these respondents had little confidence in APMs and some were suspicious of management’s intentions in disclosing APMs. These respondents viewed APMs as a means to “massage the figures”, to put a “rosy gloss on performance” and to best suit what the company wants to portray to users.
41. Respondents were concerned, among other matters, about the different APMs used and their different definitions, the lack of consistency in the treatment of the adjustments, the lack of transparency in the reasons for disclosing the APMs and that APMs may mask undisclosed issues about the company and/or its strategy. Many respondents also raised concerns about companies classifying items of recurring nature as “one-offs” in APMs. APMs were considered useful only if they were transparent (and reconciled to GAAP measures), consistent (over time), comparable (with other companies), unbiased and were subject to assurance.

Q2 Thinking about these two measures, which would you usually use as the primary indicator for assessing company performance when making your decisions about a company?

Response	# Respondents	%
GAAP measure	18	20.7
APM	16	18.4
Both	49	56.3
Neither	4	4.6
Total	87	100%
<i>Comments</i>	29	33.3%

42. While the respondents used APMs, the APMs were not usually used as the primary indicator of company performance: respondents usually used APMs in conjunction with GAAP measures. Of the 87 respondents to this question, 56.3% used both GAAP measures and APMs together, whereas only 18.4% used APMs as the primary indicator and 20.7% used GAAP measures as the primary indicator.
43. Over a third of respondents making a comment placed GAAP measures before APMs. Comments from these respondents included: “The APM measures are inconsistent between the companies, so [they are] not comparable. They are confusing and detract from the GAAP measures”.
44. However, respondents also included comments about the weaknesses of GAAP measures alone and/or the need to supplement GAAP measures with APM information. Their comments included: “GAAP are the first metrics. But GAAP is always backward looking so I end up looking at APMs to get an idea of what next year’s GAAP numbers might be.” Several respondents used reported earnings to estimate their own performance metrics: net operating profit after tax (NOPAT), free cash flows or “primary business operating profits”. For these financial statement users “more information is better”.
45. Regardless of whether the APMs were used as a primary indicator or in conjunction with GAAP measures, respondents subjected the disclosure of APMs to various caveats, for example, the usefulness of APMs depended on the adjustments made, the frequency of “unusual” or “one-off” items, the company’s situation and the reasons for the APMs.

Q3 Where disclosed, do you find the additional information, reconciliation or explanation between a GAAP measure and an APM:

Response	# Respondents	%
Really useful	30	34.9
Usually useful	39	45.3
Less than useful	11	12.8
Not useful	6	7.0
Total	86	100%
<i>Comments</i>	28	32.5%

46. Asked about the usefulness of the additional information, reconciliation or explanation between an APM and a GAAP measure, an overwhelming majority (80.2%) of the 86 respondents to this question considered the information, where disclosed, to be “really useful” or “usually useful”. Many considered this information to be “essential”, “vital” and “should be mandatory”.

47. The additional information was considered useful to determine, understand and assess the relevance, usefulness and comparability of the APM and its calculation. One respondent also commented that financial statements are now “so complicated” that only “so-called experts” can understand them. They suggested a need to get back to basics to the presentation of “concise, readable financial information”. One respondent’s view was that if a shareholder “with an average IQ” cannot understand the financial information, then it is “overly complicated”.
48. However, 19.8% of the respondents considered the additional information, reconciliation or explanation, where disclosed, to be “less than useful” or “not useful”. Comments included the information being ambiguous, inconsistent, complex and difficult to understand. One respondent indicated that reconciliations were incomplete and suggested: “Candid commentary is important to understand WHY those adjustments are taking place”.

Q4 Do you find the disclosure of multiple APMs by a company as indicators of its performance to be:

Response	# Respondents	%
Really useful	13	14.9
Usually useful	46	52.9
Less than useful	19	21.8
Not useful	9	10.4
Total	87	100%
# Comments	24	27.5%

49. On the disclosure of multiple APMs by a company as indicators of its performance, the majority of the 87 respondents to the question (67.8%) found the APMs to be “really useful” or “usually useful”. The following comments reflected this sentiment: “If reconciled to GAAP we in fact get more information than by each measure alone”; and “Don't have a problem with multiple APMs as I will make my own judgement on which measures, GAAP or non-GAAP, are most relevant to my assessment. However, standardisation of non-GAAP measures would be useful so that it is clear how the measure has been calculated”.
50. Other positive comments on this question included improved user confidence because management is voluntarily providing additional information and useful as an insight into what management considers is important. However, one respondent considered the disclosure of multiple APMS useful as an indication of “alarm bells ringing loud and clear” about the company.
51. Of the respondents, a significant minority (32.2% of 87 respondents) considered multiple APMs to be “less than useful” or “not useful”. Most of the comments focussed on the negative impacts on users (confuses and overloads the user), negative impressions about the company (to “fudge” figures, to hide poor performance or underlying issues, has the appearance of obfuscation and risks looking suspicious) and negative impressions on the wider reporting and corporate landscape (impacts on the credibility of accounting and profit measurement and adds to the “wild west” image of corporate behaviour). However, the comments also indicated many respondents used the multiple APMs disclosed by companies cautiously, in the context of exercising their own judgement or as only a guide when assessing the company.

Q5 Which of the following APM(s) do you think would be useful for a company to disclose? [Please tick as many as appropriate]

Response	# Respondents	%
“Underlying” or “normalised” profit/ earnings (profit for the year less non-recurring, infrequently occurring and/or unusual items)	59	68.6
EBITDA (earnings before interest, taxes, depreciation and amortisation)	57	66.3
EBITDAF (earnings before interest, taxes, depreciation, amortisation and fair value adjustments)	45	52.3
Other (please indicate below the APM and how you would calculate or derive it)	14	16.3
Total	86	-*
<i># Comments</i>	36	11.5%

52. On the question of which APM would be useful for a company to disclose, all the three APMs suggested in the survey (underlying profit, EBITDA and EBITDAF) were considered by most respondents to be useful to disclose. (The respondents to this question could indicate as many of the suggested APMs as appropriate). Underlying profit was most frequently indicated by the 86 respondents to this question as useful to disclose at 68.6%, followed closely by EBITDA at 66.3% and EBITDAF at 52.3%.
53. Some respondents consider different APMs have their use depending on the company and/or industry, for example, “All are useful for explaining performance but [they] must be taken with a grain of salt as companies tend to only provide those which show them in better light than GAAP numbers would suggest”. Another respondent suggested that if companies do highlight EBITDA etc, they should be required to state its particular relevance for interpreting the performance of their company or their industry. Others were more critical, for example, one respondent asked: “Since when did interest, [depreciation] and certain amortisation not become relevant expenses to an owner of a business?” The respondent was of the view that it is perverse for APMs to omit costs that have legitimately reduced profitability.
54. In general, regardless of the APM, comments from the respondents indicated the APMs would be useful only if the GAAP measure was considered less useful, the APM was relevant, variations from GAAP were well-explained and reasoned, there was consistent and clear meaning for the terms like “underlying”, “normalised” and “non-recurring” and there was a reconciliation to GAAP.

Q6 Have you requested the disclosure of an APM from a company in the past?

Response	# Respondents	%
Yes	7	8.1
No	80	91.9
Total	87	100%
<i># Comments</i>	12	13.8%

55. Of the 87 respondents to the question asking whether they have requested the disclosure of an APM from a company, only 8.1% said they had, with the rest not having the need to make such a request. Respondents reported that the response from the companies, when requests were made, ranged from no response from the company to three pages of explanations about the APM.

* As respondents could indicate more than one option, the percentages do not add up to 100%.

56. Only respondents who classified themselves as experts asked companies for APMs. This was the only question in the survey where the responses from non-experts were statistically different from those of the experts. A respondent who said “no” to making requests commented that “I rely on my own recasting of the Income Statement...”. Such a comment is consistent with the response to Question 4 where respondents recast performance measures to fit their own valuation models. For these respondents, APMs are a useful source of information and provide a “management’s view”.

Q7 Please tell us which APM(s) you have requested a disclosure for and why.

Total responses	6
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57. Six respondents indicated they have made requests for further information. Notwithstanding the terminology and the wording of the response, the requests related mainly to information about underlying operating profit, that is, maintainable profits that are net of non-recurring items. This is consistent with the response to Question 5 where underlying/normalised profit/earnings was the APM that most respondents consider would be useful for companies to disclose.

How can performance measures be improved?

58. Questions 8 to 11 of the survey asked users how the disclosure of performance measures can be improved.

Q8 Should company performance measures be limited to GAAP measures and be taken only from line items or sub-totals that are also presented on the face of the income statement?

Response	# Respondents	%
Yes	14	16.9
No	57	68.7
Don’t know	12	14.4
Total	83	100%
<i># Comments</i>	26	31.3%

59. A majority (68.7%) of the 83 respondents to the question did not agree company performance measures should be limited to GAAP measures and be taken only from line items or sub-totals that are also presented on the face of the income statement. The respondents highlighted the usefulness of APMs (APMs can provide insights into a business and capture underlying themes if they are appropriate and well-reasoned) and the weaknesses of GAAP (minimum GAAP measures do not have enough line items to enable a meaningful evaluation of performance). Comments in support of not limiting APMs to GAAP measures included: “While I make no use of APMs, I do not see any reason to prescribe their format”; and “We do not have enough theory to know what line items ought to be reported. Hence, at this point of time we are in an experimental stage – let managers tell their story”.
60. However, respondents suggested an emphasis on GAAP measures and for APMs not to have undue prominence. There were also numerous comments emphasising the importance of reconciliations to GAAP measures and for the APM adjustments to be appropriate. One respondent summed it up: “APMs have their place. But I think APMs should not have undue prominence and be reconciled back to GAAP information, and companies should be required to state why they use the APMs they do, and be required to be consistent year on year in what measures they give prominence...”.

61. The main reason raised by the 16.9% of respondents who considered company performance measures should be limited to GAAP measures was mainly for consistency of measurement between companies.

Q9 To improve the GAAP measures of a company's performance, would it be useful for accounting standards to: [Please tick as many as appropriate]

Response	# Respondents	%
Provide more information about a company's "core operations" or "underlying performance"	53	66.3%
Provide a principle-based definition of operating profit	33	41.3%
Define more sub-totals in the income statement	29	36.3%
Standardise the calculation of selected key APMs (please specify the key APMs)	29	36.3%
Provide more disaggregated information in the income statement	27	33.8%
Other (please indicate below)	6	7.5%
Don't know	5	6.3%
Total	80	-*
# Comments	29	36.2%

62. Users were asked how accounting standards could improve GAAP measures of performance. All the suggestions listed in the survey fared well and many respondents indicated more than one suggestion. Overall, the suggestion to "provide more information about a company's "core operations" or "underlying performance" was most favoured by respondents at 66.3%, followed by the suggestion to "provide a principle-based definition of operating profit" (41.3%). Two of the suggestions, "define more sub-totals in the income statement" and "standardise the calculation of selected key APMs" had 36.3% each followed by "provide more disaggregated information in the income statement" (33.8%).
63. Comments from respondents keen to have more information about "core operations" or "underlying performance" or "normalised profit" indicated they see this as helping to identify the underlying strength and performance of a business and to obtain information on capital employed in the continuing business. Respondents also suggested defining "non-recurring"/"one-off"/"infrequent" items. Others favoured having standardised and precise definitions for specific APMs (EBIT and EBITDA).
64. Some respondents did not consider APMs to be an accounting standard issue as APMs are entity-specific and could be unique to different business types – therefore, it would be difficult to standardise APMs. Other respondents considered it helpful to disclose more disaggregated information in the income statements provided this does not further increase "clutter".

Q10 What information, if any, do you think should accompany the disclosure of APMs to improve their quality and usefulness to external users? [Please tick as many as appropriate]

Response	# Respondents	%
How the APM is derived/calculated	69	85.2%
Comparative for the previous year's APM	68	84.0%
Reasons/explanations for changing the APM or its calculation from the previous year	67	82.7%

* As respondents could indicate more than one option, the percentages do not add up to 100%.

Reasons/explanations for including or excluding selected components (eg., recurring items or non-recurring items) in calculating the APM	63	77.8%
Company's purpose or reason(s) for using the APM as a performance indicator, rather than a GAAP measure	59	72.8%
Clear identification of whether the measure is an APM or a GAAP measure	56	69.1%
Explanations/reconciliations to the closest equivalent GAAP measure	51	63.0%
Statement on whether or not the APM has been subject to any assurance	50	61.7%
Other (please indicate below)	6	7.4%
Total	81	-*
<i># Comments</i>	20	24.7%

65. Users were asked what information should accompany APMs to improve their quality and usefulness to external users. Respondents in general thought all the suggested disclosures were “good ideas”, were “basic requirements” and would be useful if a company was deviating from GAAP.
66. All the eight suggestions in the survey were indicated by over 60% of the 81 respondents to the question (respondents could indicate as many as they thought appropriate). However, the three suggestions respondents considered could most improve the quality and usefulness of the APMs to external users were: how the APM is calculated or derived (85.2%), comparative previous year's APM (84.0%) and reasons/explanations for changing APM or its calculation from the previous year (82.7%).
67. Many comments received under this question related to assurance. The comments reflected a view that APMs should be subject to audit and auditors should comment on APMs. Some respondents make the following assumption: “...the numbers that are in the financial statements have been audited and the APM is using numbers that are in the financial statements therefore would it not be concluded that the APM is audited”?

Q11 Where disclosed, do you agree that an APM and any related information should be assured by the entity's auditor? Please give your reasons.

Response	# Respondents	%
Yes	62	74.7
No	21	25.3
Total	83	100%
<i># Comments</i>	57	68.7%

68. The question asked whether users agree an APM and any related information should be assured by the entity's auditor and reasons for the users' response. The question elicited the greatest number of comments: 68.7% of the 83 respondents included a comment.
69. A majority (74.7%) of the 83 respondents to the question said “yes”. Some of the reasons stated by respondents for having assurance included those relating to:

* As respondents could indicate more than one option, the percentages do not add up to 100%.

- The purpose and publicity of APMs – APMs usually receive more publicity than GAAP measures, purport to be “better” measures than the GAAP measures as performance measures and are relied upon as “true and fair” by users for decision-making;
 - Management behaviour – to prevent management’s selective disclosure and presentation of a better picture of the company;
 - The APM and its derivation – to ensure the APM is appropriate, consistently derived and non-recurring items are properly treated; and
 - The role of assurance – auditors are the independent referee for the shareholder.
70. Specific comments from respondents included: “It is the only way I can gain any confidence in the information provided”; “APMs are usually the publicised number...”; and “If the APM is relied upon to give a “true and fair” view of the company’s operations, then the same assurance needs to be given in respect of those measures as is given to GAAP results”.
71. Of the 83 respondents, 25.3% did not consider it important or necessary for the APMs and related information to be assured. The main reasons were: it is not possible to prescribe APM definitions to cover all circumstances, there is no standard or standardised definition to assure them against and for cost-benefit reasons. Comments included: “Surely this would be somewhat difficult for an auditor to do?”; “As there is no “standardised” APM the audit is of little value”; and “To be audited there requires an appropriate standard and guidance which can be audited to”.
72. In addition, comments from respondents indicate a lack of clarity and understanding over when APMs are considered to have been assured. The respondents presumed APMs were assured because they were derived from audited financial statements and/or because the auditor is required to review the whole annual report for consistency. For example, comments from respondents included: “You should be able to reconcile APM to GAAP, therefore the underlying numbers should already have been subject to audit”; “I don’t think it is necessary as a prescription. However, it is highly likely that a measure like EBITDA will be assured as part of the “regular” audit process”; and “...the assurance is implied because the CA [has an] obligation to read the entire report for consistency...”. In addition, one respondent commented that “APM information is typically released at the same time as audited financial statements, with an implication the APM has had some independent review”.

Are APMs understandable?

73. Questions 12 to 20 of the survey asked users whether the APMs that were disclosed by companies were understandable to them. The questions asked users for their experience with using a specific APM disclosed by a specific entity that they were familiar with.

Q12 What is the APM you are using to answer these questions?

Total responses	62
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74. The question asked users about the specific APM used to answer questions 12 to 20.
75. Of the 62 respondents who answered this question, 21 used “underlying profit”/“underlying earnings” or “normalised profit”/“normalised earnings” or some variation of those terms (for example, underlying earnings after deducting acquisition expenses or underlying operating profit after removing fair value adjustments). It was not clear from the responses whether these measures used by respondents were defined in the same way or differently from the working definition used in the survey. The survey had defined “underlying” or “normalised”

profit/earnings as profit for the year less non-recurring, infrequently occurring and/or unusual items.

76. Of the 62 respondents to the question, 19 used EBITDA or variations of EBITDA (underlying EBITDA, replacement cost EBITDA and adjusted EBITDA). Nine respondents used EBITDAF, EBITDAFI, EBIT (including normalised EBIT) and cash profit. In each case, it is unclear what further adjustments have been made to the “standard” APM. Thirteen other respondents used a variety of other one-off measures (earnings per share, any metric that eliminates fair value and distributable income).

Q13 Was it clear to you whether the company was referring to a GAAP measure or to an APM?

Response	# Respondents	%
Yes	46	71.9
No	18	28.1
Total	64	100%
# Comments	10	15.6%

Q14 Did you understand the purpose or reason stated by the company for using that APM?

Response	# Respondents	%
Yes	45	71.4
No	7	11.1
Purpose not disclosed	11	17.5
Total	63	100%
# Comments	14	22.2%

Q15 Did you think the APM that was used met the intended purpose or reason stated by the company?

Response	# Respondents	%
Yes	48	76.2
No	12	19.0
Partially	3	4.8
Total	63	100%
# Comments	13	20.6%

77. Respondents were generally of the view that it was clear whether a company was referring to a GAAP measure or an APM (71.9% of 64 respondents to the Question 13) and the majority of respondents said they understood the purpose or reason stated by the company for the APM (71.4% of 63 respondents to the Question 14). In addition, a majority of respondents (76.2% of 63 respondents to the Question 15) were of the view the APM disclosed met the intended purpose or reason stated by the company.
78. Notwithstanding the majority views, there was a significant minority to each question who considered it was not clear whether the company was referring to a GAAP measure or an APM (28.1% of 64 respondents to the Question 13); did not understand the purpose or reason stated by the company for the APM, or stated that the purpose or reason was not disclosed (28.6% of 63 respondents to the Question 14); and were of the view the APM did not meet, or only partially met, the intended purpose or reason stated by the company (23.8% of 63 respondents to the Question 15).

79. Some respondents did not think the reasons given by the companies were sound. Others thought the stated purpose or reason for the APM was too generic. One respondent indicated they disagreed with the appropriateness of three out of seven adjustments to an APM and another respondent gave the example of a company that stated a particular APM was disclosed to facilitate comparisons with other entities but then proceeded make adjustments to the APM that were “non-standard” and unique to the company. Others did not understand, in relation to EBITDA, why expenses like taxation, depreciation and amortisation would need to be removed in order to facilitate comparison with other entities. Respondents considered these expenses are of the nature that are expected in the ordinary course of business activities and are important in the determination of company profit. Still other respondents assume the purpose of APMs is to enable a company to show a better performance than its GAAP measures would suggest.

Q16 Did you understand how the company calculated or derived the APM?

Response	# Respondents	%
Yes	49	77.8
No	14	22.2
Total	63	100%
# Comments	14	22.2%

Q17 Was the term used by the company for the APM consistent with the way in which the APM is usually calculated, as you understand it?

Response	# Respondents	%
Yes	49	83.1
No	10	16.9
Total	59	100%
# Comments	11	18.6%

80. A majority of the respondents (77.8% of 63 respondents to Question 16) said they understood how the APM disclosed by the company was calculated or derived. A majority of the respondents (83.1% of 59 respondents to Question 17) also said the term used by the company for the APM was consistent with how the APM is usually calculated. However, some respondents noted the information underlying the calculation of the APM was sometimes not easy to locate (the information being disclosed in a different part of the company report from where the APM is disclosed) or understand (because of the complex nature of the APM adjustments). Others worried about the lack of definitions and the inconsistent adjustments made to APMs. Some respondents concluded that APMs seemed to be “designed to window dress” results and “to make the “profit” look better” rather than being informative. Another respondent considered that APMs should be used only as “background” information.

Q18 As you answered 'No' to the previous question, please briefly describe how the calculation was different.

Total responses	8
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81. The responses to this question included “don’t know”, “no calculation was given”, “the whole statement was confusing” and “didn’t think the reason was sound”. Other comments included uncertainty about how other companies calculated the APM as the APM was not a commonly used APM; inconsistent calculation methods within the particular sector and the

company's EBITDA included adjustments for profit from discontinued operations and prior year adjustments.

Q19 Did the company disclose any additional explanation or reconciliation between the APM and its equivalent GAAP measure?

Response	# Respondents	%
Yes	35	61.4
No	22	38.6
Total	57	100%
# Comments	8	14.0%

Q20 Did you understand the additional explanation or reconciliation between the APM and its equivalent GAAP measure?

Response	# Respondents	%
Yes	32	91.4
No	3	8.6
Total	35	100%
# Comments	9	25.7%

82. On whether the company disclosed any additional explanation or reconciliation between the APM and its equivalent GAAP measure, most respondents (61.4% of 57 respondents to the Question 19) said “yes”. Reconciliations were provided in various places, ranging from the chairman’s report, in the notes to the financial statements, in the same document as the APM or by reference. Of the eight comments to Question 19, six indicated that full or appropriate reconciliations were provided.
83. A majority of respondents (91.4% of 35 respondents who said “yes” to Question 20) said they understood the additional explanation/reconciliation between the two measures. However, this did not mean all respondents found the information useful. Respondents noted instances where the reconciliation did not correspond with the APM that was used or explained why the APM was used, why the APM was useful and what the APM represented. Other respondents noted additional information that did not reflect the APM that was disclosed and APMs that did not present relevant information for shareholders. Some respondents did not agree with the adjustments made or with the reasonableness of the disclosed information.
84. A significant minority (38.6% of the 57 respondents to Question 19) indicated the company did not disclose any additional explanation or reconciliation between the APM and its equivalent GAAP measure. A minority (8.6% of the 35 respondents) indicated they did not understand the information provided, mainly because of the complexity of the information. However, a respondent who indicated that no additional additional explanation/reconciliation was provided indicated that they understood and reconciled the the information from other measures.

Q21 Please tell us which of the following user group best describes you or your organisation. [Please tick as many categories as appropriate]

Response	# Respondents	%
Individual equity investor	64	85.3%
Institutional equity investor	4	5.3%
Individual debt investor	9	12.0%

Institutional debt investor	2	2.7%
Other creditor	1	1.3%
Intermediary/advisor to investors	8	10.7%
Financial market/prudential regulator	4	5.3%
Media commentator	2	2.7%
Other (please indicate below)	13	17.3%
Total respondents	75	-*

85. Of the respondents, the biggest user-group was the “individual equity investor” group with 85.3% of the respondents indicating they are (or are also) in the user-group. Another 12% of respondents indicated they are (or are also) in the “individual debt investor” group. The “intermediary/advisor to investors” were also indicated by 10.7% of the respondents. Although four respondents indicated the “financial market/prudential regulator” user-group, only one indicated that as their sole user-group. The other three also indicated themselves in other user-groups (and we have not been able to verify them as financial market/prudential regulators).

86. Of the 13 respondents in the “Other” category:

- All except 2 respondents also classified themselves into one of the other user-groups; and
- Only 2 respondents fell solely into the “Other” user-group — they were a Chartered Accountant (CA) and a respondent from the Education sector.

Q22 Do you consider yourself to be:

Response	# Respondents	%
A prudent but non-expert user of financial information	34	45.3
A professional and/or expert user of financial information	32	42.7
Other (please indicate below)	9	12.0
Total	75	100%

87. Of the 75 respondents to the question, there was an almost equal split in the indication of their level of expertise in using financial information: 45.3% indicated themselves as non-expert users and 42.7% indicated themselves as expert users.

88. A further 12% of the respondents indicated themselves in the “Other” category. An analysis of the comments from these respondents indicate that, in general, most consider themselves to have better than average experience and expertise in using and understanding financial information.

Q23 Do you have any other comments?

Total responses	24
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89. The question asked users for any other comments that they may have as a closing question to the survey. Twenty-four respondents took the opportunity to make further comments. The comments fell broadly into comments about GAAP and comments about APMs.

* As respondents could indicate more than one option, the percentages do not add up to 100%.

GAAP-related comments

90. Most of the GAAP-related comments were on GAAP's shortcomings. Many of the comments were about GAAP and financial statements being "too complex" and "less transparent" for most end users to understand and/or less relevant to users for determining an entity's "underlying performance". Comments from respondents included: "Accounts have become far too complex to follow for most people..."; "Purely GAAP measures are too restrictive and can distort any picture of the underlying performance of a business..."; and "...GAAP income statement has gone too far away from reporting basic underlying profitability of the underlying trading figures...".
91. This was summed up by a respondent whose view was that issues with GAAP meant they were not surprised directors felt the need to include APMs in the explanations accompanying the financial statements.

APM-related comments

92. APMs also received numerous negative comments from respondents. Many considered the trend of reporting APMs "worrisome" and "increasingly annoying" and wished to see an end to "non-standard" reporting. Negative comments about APMs included their lack of comparability across entities, lack of verifiability in the absence of assurance and lack of transparency in their derivation and/or explanations. Respondents were "disturbed" by the lack of consistency in reporting and the often "upward bias" of APMs compared to GAAP measures, and calling into question the neutrality, faithful representation and consistency of APMs compared to GAAP measures.
93. However, many respondents viewed APMs in a more positive light. For example, the proper and judicious use of APMs relevant to a business, properly explained and utilised in a consistent manner was considered to be a very useful additional means of understanding the financial statements of any entity. APMs were considered useful provided they were used to increase clarity and not to distort or camouflage the actual financial performance of the company and if their calculation and reasons for use were transparent.
94. Many of the respondents made suggestions for the disclosure of APMs, including:
- Define APMs clearly, conform to standardised definitions, reduce and limit the number and variety of APMs;
 - Ensure APMs are suitable;
 - Ensure APMs are reconciled back to the GAAP measures;
 - Ensure APMs do not "belittle or make insignificant legitimate expenses", even if those expenses are non-recurring in nature;
 - Define "non-recurring"/"one-off"/"infrequent" items; and
 - Ensure the disclosures are assured by an independent entity or included in an audit.

SECTION 3: CONCLUSIONS AND IMPLICATIONS

Are APMs useful?

95. A wide range of views were obtained, covering extreme views both for and against the usefulness of APMs. However, notwithstanding the wide range of views, the majority of the respondents provided a clear and consistent message.
96. APMs are used and are considered useful. Respondents use APMs as a means to clarify, understand, determine and/or assess the nature of a company's business, its primary business activity, its underlying performance and/or its future prospects (excluding one-off transactions), the impact of fair value changes on the company's performance and management's views about core earnings. The main reasons cited for using APMs were the complexity of GAAP and the difficulty to determine a company's core operating business performance from GAAP financial statements.
97. However, the use of APMs in conjunction with, or as a supplement to, GAAP measures and the various caveats users place on the disclosure indicate that GAAP is still trusted and relied upon by respondents, notwithstanding the many criticisms levelled against the complexity of GAAP and financial statements. A likely reason is that, unlike APMs, financial statements are audited and are a common, comparable measure across different entities.
98. Respondents note the general trend for APMs to be "rosier" than GAAP measures, that companies often publicise their APMs rather than the GAAP measures, and companies often include generic statements that the APMs are "better" reflections of company performance than GAAP measures and/or the APMs are "more comparable" as a measure of performance for companies in the industry. The comments from respondents indicate that companies may not be explaining clearly enough why the APMs, rather than GAAP measures, are useful for explaining the performance of the company. The absence of disclosures, or the lack of clear disclosures, by companies for disclosing APMs may undermine the usefulness of APMs and fuel users' suspicions about the company's intentions for disclosing APMs. Such suspicions may undermine useful information "through the eyes of management" that companies are disclosing. Respondents are keen to have clear and transparent information on the purpose and reasons for disclosing the APMs, the adjustments made to the GAAP measures to derive the APM and reconciliations back to the GAAP measures. Respondents use this information to determine if the APM information is appropriate or reasonable and for making their own adjustments as necessary.
99. Respondents recognise the various limitations of APMs, understand their usefulness under certain circumstances, and use APMs in conjunction with GAAP measures and for making their own adjustments. Multiple APMs are considered to have their uses but there is concern that if not well explained, these can have negative impacts on users, give negative impressions about the company and give negative impressions on the wider corporate reporting landscape. Many respondents also question the appropriateness of some disclosed APMs and their associated adjustments. These comments from respondents indicate that respondents are discerning in their use of APMs. However, while respondents in general may not necessarily be confused by the APMs and/or their related information, they are sometimes perplexed by the reasons stated by companies for the APMs and/or by their adjustments.

How can performance information be improved?

100. Respondents are most interested in information about a company's "core operations" or "underlying performance". A company's operating performance minus "non-recurring", "one-off" or "infrequent" items is seen to be useful for assessing the underlying strength and performance of a company and in the continuing business.
101. The majority of respondents did not want company performance measures to be limited to GAAP measures only, many citing the shortcoming of GAAP measures as indicators of the performance of a company's "core" operating activities.
102. Respondents used terms like "recurring", "non-recurring", "one-off", "transitory" and "core" "normalised", "underlying", but it is unclear what these terms mean to the respondents and whether they can be commonly defined. For example, revaluations are seen by some to be a "core", "recurring" element of a business as it occurs in every accounting period: however, others see revaluations as "transitory" or "non-recurring". Similarly, in EBITDA, some respondents view the deductions (interest, tax, depreciation and amortisation) as "core" expenses of a business and were perplexed as to why they were excluded in a measure purporting to reflect an entity's performance.
103. The majority of respondents also want APMs and related information to be assured. These respondents note that companies communicate APMs with the same, or with more prominence, than GAAP measures. If companies intend that investors make decisions based on APMs (because they are intended to give a "better" indication of a company's performance than GAAP measures), then they should be equally reliable and verifiable as GAAP information. However, assurance may be difficult without a standard definition or guidance for APMs to be audited to.
104. Comments from respondents, however, indicate a lack of clarity about whether the APM and related information are assured or not, particularly where the information is not contained within the audited financial statements (but is disclosed in other parts of the annual report or is disclosed outside the annual report) and/or where components of the APM are taken from audited financial statements. As a minimum, information accompanying APMs should be clear on whether the APMs and related information has been subject to assurance.

Are APMs understandable?

105. The two main APMs used by respondents to answer the questions about understandability of APMs were underlying profits and EBITDA. Respondents also indicated the use of variations to those APMs (for example, underlying EBITDA) which meant that it was not always clear whether these measures used by respondents were defined in the same way or differently from the normally accepted "standard" definitions for those APMs and what other components have been omitted to derive the APM.
106. EBITDA and EBITDAF are common APMs that are also used and considered useful by many respondents, mainly because, unlike underlying profit/earnings, these APMs have a "standard" calculation and are therefore comparable across companies. However, comments from respondents querying the appropriateness of omitting "normal", "recurring" business expenses (interest, taxation, depreciation and amortisation) in deriving EBITDA indicate the purpose of EBITDA as an APM and the reason why companies disclose EBITDA and consider the EBITDA to be a "better" or alternative performance measure than a GAAP measure may not be clear to respondents. The usefulness of these APMs are undermined somewhat by the

lack of a proper reason for their use. Their usefulness is also undermined when items outside the “standard” calculation are added back to the “standard” measures to derive “underlying” or “normalised” EBIT or EBITDA, thereby making them non-comparable across companies.

107. While respondents generally agreed the labelling of the APM was clear and they understood the purpose and additional information about the APM, they did not necessarily always agree the choice of the APM, its purpose, its adjustments or its related explanations were always appropriate. A significant minority of the respondents also indicate that the company did not disclose any additional explanation or reconciliation between the APM and its equivalent GAAP measure.

Any difference in responses between non-expert and expert users?

108. Of a total of 75 respondents who indicated their level of expertise as users of financial information, 45.3% indicated they were non-expert users and 42.7% indicated they were expert users. A further 12 % indicated themselves as “Other”³.
109. Other than Question 6, analysis using Chi-square tests shows no statistical significant differences between the responses to each question between the non-expert and the expert respondents. In other respects, the responses and additional comments indicate similar issues raised and in many cases, equally by each group.
110. A statistical difference was found in Question 6 where only the respondents who designated themselves as expert users requested APM and other additional information from companies.

Conclusion

GAAP is still trusted but has limitations

111. Users use APMs as a supplement to, or in conjunction with, GAAP measures. This, and the numerous comments made by respondents for the need for APMs to be reconciled back to GAAP, indicates GAAP measures are still “trusted” and relied upon by respondents. This is notwithstanding the criticisms levelled against the complexity of GAAP and financial statements. A likely reason is that, unlike APMs, financial statements are audited and are a common, comparable measure across different entities.

Underlying profit is the preferred APM

112. Respondents are most interested in information about a company’s “core operations” or “underlying performance”. Respondents used terms like “recurring”, “non-recurring”, “one-off”, “transitory” and “core” “normalised”, “underlying” in conjunction with underlying profit. However, it is not clear what these terms mean to the respondents and whether they can be commonly defined to include or exclude the same items.
113. There is some support from respondents for including EBIT and EBITDA on the face of financial statements. This may be because these APMs have a “standard” definition and calculation, and unlike underlying profit, are considered to be comparable across companies. As the nature of underlying profit may be unique to individual companies, respondents suggest that underlying profit should not be disclosed on the face of the financial statements but should be disclosed in the notes with appropriate accompanying information.

³ The survey asked respondents for further comment if they indicate “Other”. Comments in the “Other” group indicate the respondents generally consider themselves to have better than average experience and expertise in using and understanding financial information.

Clarity of reasons and additional information important

114. The reasons for disclosing particular APMs and the additional information, reconciliations or explanations between an APM and the GAAP are considered by many respondents to be essential, vital and should be mandatory. However, companies may not be explaining, or may not be explaining clearly enough, the purpose of/reasons for the APMs they use and/or their adjustments. Many respondents consider such information could be made more useful as respondents use the information to determine the appropriateness of the APMs and the adjustments, as well as to make their own further adjustments, where necessary.
115. Some respondents query the appropriateness of omitting expenses like interest, taxation, depreciation and amortisation in deriving EBITDA. This indicates the purpose of EBITDA as an APM generally, and the reasons why companies disclose EBITDA and consider it to be an appropriate performance measure, may not be clear to respondents. The usefulness of EBITDA may be undermined by the absence of appropriate reasons for their use.
116. In addition, the usefulness of APMs like EBIT and EBITDA may also be further undermined when items outside the “standard” calculations are added back to the “standard” measures to derive “underlying” EBIT/EBITDA or “normalised” EBIT/EBITDA, thereby making them non-comparable across companies. Making further adjustments to APMs that have a “standard” definition or calculation (for example, EBIT or EBITDA being adjusted to become “underlying EBIT” or “normalised EBITDA”) means it was not always clear how they have been further adjusted from their “standard” measures, whether they continue to have the same purpose and/or are defined in the same way or differently. In this regard, disclosing the reasons and the further adjustments to such “standard” measures need to be clearly explained.

Assurance needs to be clarified

117. Respondents consider APMs and related information should be assured. However, there is a lack of clarity and understanding of whether an APM and related information are assured or not, particularly where the information is not included within the audited financial statements (but are disclosed in other parts of the annual report or are disclosed outside the annual report) and/or where components of the APM are taken from audited financial statements.

Overall conclusion

118. While some respondents were sometimes perplexed by the reasons given by companies for the APMs and/or their adjustments, the majority of respondents, whether non-expert users or expert users, do not in general appear to be confused by the APMs and/or their related information. Instead, the majority of respondents appear to be discerning in their use of the APMs and related information disclosed by companies. Respondents make various comments and suggestions to improve the disclosure of APMs and related information, including the desire for the information to be subject to assurance and having clear definitions for terms like “recurring” and “non-recurring”, indicating they understood and recognised the current limitations of APMs.
119. In summary:
 - Respondents use APMs but they are used as a supplement to, or in conjunction with, GAAP measures: APMs are not usually used by respondents as the primary indicator of company performance on their own;

- Respondents find the disclosure of APMs, including multiple APMs, to be useful for different purposes: however, these were subject to caveats about their use and the appropriateness of the adjustments that companies make in deriving the APMs;
- Respondents consider additional information and explanations accompanying APMs, particularly reconciliations between APMs and GAAP measures, to be useful, “vital” and “essential” to understand the APMs: however, respondents consider companies were either not disclosing, or not explaining clearly, why APMs rather than GAAP measures were useful for assessing company performance;
- Respondents generally understand the purpose and additional information about the APMs: however, they did not necessarily always agree with the choice of the APMs, their purpose, their adjustments or their related explanations;
- Respondents prefer APMs to have clear definitions and conform to standardised definitions: respondents consider companies that make further adjustments to APMs that have a “standard” definition or calculation undermined the comparability of the APMs, and hence their usefulness;
- Respondents appear to use APM cautiously, “with grain of salt”: they question the company’s purpose and intentions for disclosing APMs and the adjustments made (especially the tendency for APMs to paint a “rosier” picture than GAAP measures); and
- Respondents want APMs and related information to be assured: however, the lack of clarity whether the APM and related information has been subject to assurance made it difficult to determine if the APM and related information were appropriate, neutral, credible and reliable.

Appendix: Survey Questionnaire

- Q1 Are APMs useful to you for assessing company performance when you are making decisions about a company?
- Q2 Thinking about these two measures, which would you usually use as the primary indicator for assessing company performance when making your decisions about a company?
- Q3 Where disclosed, do you find the additional information, reconciliation or explanation between a GAAP measure and an APM:
- Really useful
 - Usually useful
 - Less than useful
 - Not useful
- Q4 Do you find the disclosure of multiple APMs by a company as indicators of its performance to be:
- Really useful
 - Usually useful
 - Less than useful
 - Not useful
- Q5 Which of the following APM(s) do you think would be useful for a company to disclose? [Please tick as many as appropriate]
- EBITDA (earnings before interest, taxes, depreciation and amortisation)
 - EBITDAF (earnings before interest, taxes, depreciation, amortisation and fair value adjustments)
 - "Underlying" or "normalised" profit/earnings (profit for the year less non-recurring, infrequently occurring and/or unusual items)
 - Other (please indicate below the APM and how you would calculate or derive it)
- Q6 Have you requested the disclosure of an APM from a company in the past?
- Q7 Please tell us which APM(s) you have requested a disclosure for and why.
- Q8 Should company performance measures be limited to GAAP measures and be taken only from line items or sub-totals that are also presented on the face of the income statement?
- Q9 To improve the GAAP measures of a company's performance, would it be useful for accounting standards to: [Please tick as many as appropriate]
- Define more sub-totals in the income statement
 - Provide more disaggregated information in the income statement
 - Provide more information about a company's "core operations" or "underlying performance"
 - Provide a principle-based definition of operating profit
 - Standardise the calculation of selected key APMs (please specify the key APMs)
 - Don't know
 - Other (please indicate below)
- Q10 What information, if any, do you think should accompany the disclosure of APMs to improve their quality and usefulness to external users? [Please tick as many as appropriate]
- Clear identification of whether the measure is an an APM or a GAAP measure
 - Company's purpose or reason(s) for using the APM as a performance indicator, rather than a GAAP measure
 - How the APM is derived/calculated
 - Reasons/explanations for including or excluding selected components (eg., recurring items or non-recurring items) in calculating the APM
 - Explanations/reconciliations to the closest equivalent GAAP measure

- Comparative for the previous year's APM
 - Reasons/explanations for changing the APM or its calculation from the previous year
 - Statement on whether or not the APM has been subject to any assurance
 - Other (please indicate below)
- Q11 Where disclosed, do you agree that an APM and any related information should be assured by the entity's auditor? Please give your reasons.
- Q12 What is the APM you are using to answer these questions?
- Q13 Was it clear to you whether the company was referring to a GAAP measure or to an APM?
- Q14 Did you understand the purpose or reason stated by the company for using that APM?
- Q15 Did you think the APM that was used met the intended purpose or reason stated by the company?
- Q16 Did you understand how the company calculated or derived the APM?
- Q17 Was the term used by the company for the APM consistent with the way in which the APM is usually calculated, as you understand it?
- Q18 As you answered 'No' to the previous question, please briefly describe how the calculation was different.
- Q19 Did the company disclose any additional explanation or reconciliation between the APM and its equivalent GAAP measure?
- Q20 Did you understand the additional explanation or reconciliation between the APM and its equivalent GAAP measure?
- Q21 Please tell us which of the following user group best describes you or your organisation. [Please tick as many categories as appropriate]
- Individual equity investor
 - Institutional equity investor
 - Individual debt investor
 - Institutional debt investor
 - Other creditor
 - Intermediary/advisor to investors
 - Financial market/prudential regulator
 - Media commentator
 - Other (please indicate below)
- Q22 Do you consider yourself to be:
- A prudent but non-expert user of financial information
 - A professional and/or expert user of financial information
 - Other (please indicate below)
- Q23 Do you have any other comments?
- Q24 We may have questions about your response and may need to contact you. Please tell us the following:
- Your first name
 - Your last name
 - Your email address
 - Contact telephone number (optional)