

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

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 mandatory sub-totals:

- **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 operating profit or loss, and all income and expenses classified in the investing category.

These new requirements provide a consistent structure for the statement of profit or loss, which will improve comparability between entities.

There is no direct alignment between the new categories in the statement of profit or loss and those within the statement of cash flows. However, in many cases, transactions could be classified 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.

Management-defined performance measures (MPMs)

New disclosure requirements apply for MPMs, which are **sub-totals of income and expense** (such as 'underlying profit' or 'profit excluding exceptional items') that are used in **public communications** 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 'non-GAAP' measures used in their public communications that may (or may not) meet the definition of an MPM. Management will need to work with their investor relations / external communications teams to identify these measures and assess whether additional disclosures are required in the financial statements.

Grouping of information

Information in the financial statements is aggregated based on shared characteristics and disaggregated based on characteristics that are not shared (where material). Using 'other' to describe a group of items is also restricted – instead, entities should use the most informative label to describe that group of items.

If classifying operating expenses by function, additional information regarding certain expenses must be disclosed by nature – specifically depreciation, amortisation, employee benefits, impairment losses/reversals and write-down/reversals of inventories.

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 receipts/payments have been removed for most entities.

Earnings Per Share – The numerator in additional 'per share' measures must be either a total, or subtotal, identified in NZ IFRS 18 or a disclosed MPM.

Interim Financial Reporting – Disclosure of new subtotals and MPMs are also required in interim financial statements and condensed financial statements.

For more resources, refer to the [XRB NZ IFRS 18 webpage](#)