

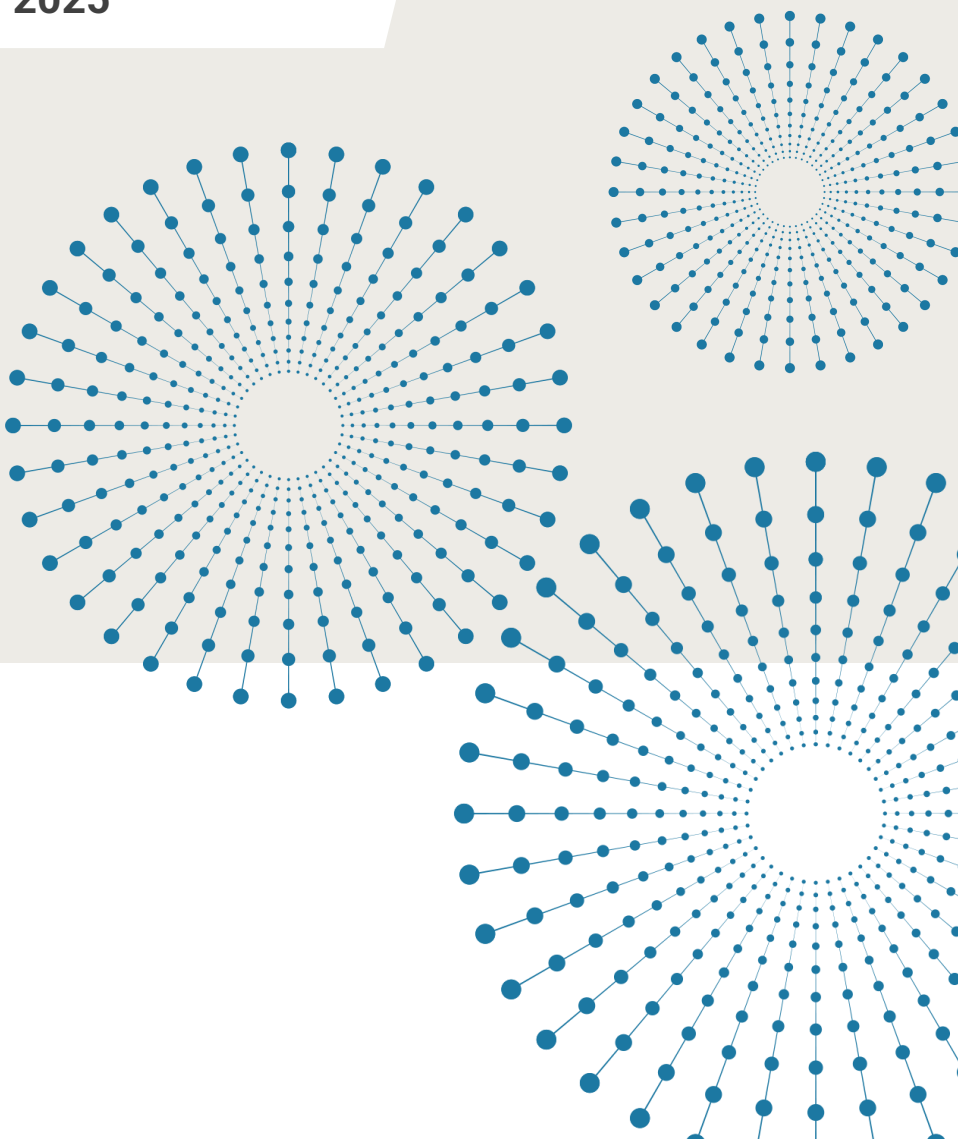
Exposure Draft

RDR Concessions – NZ IFRS 18 *Presentation and Disclosure in Financial Statements*

Proposed amendments to NZ IFRS 18
and NZ IAS 34

Submissions close on 29 May 2025

February 2025





NZASB EXPOSURE DRAFT 2025-1

RDR Concessions – NZ IFRS 18 *Presentation and Disclosure in Financial Statements*

Issued [Date]

This [draft] Tier 2 for-profit amending Standard introduces disclosure concessions in response to new disclosures established by NZ IFRS 18 *Presentation and Disclosure in Financial Statements*, issued 23 May 2024. This [draft] amending Standard modifies the disclosure requirements in NZ IFRS 18 and NZ IAS 34 *Interim Financial Reporting*.

In finalising this Standard, the New Zealand Accounting Standards Board has carried out appropriate consultation in accordance with section 22(1) of the Financial Reporting Act 2013.

Legal status of amending Standard

This [draft] amending Standard was issued on [date] by the New Zealand Accounting Standards Board of the External Reporting Board pursuant to section 12(a) of the Financial Reporting Act 2013.

This [draft] amending Standard is secondary legislation for the purposes of the Legislation Act 2019.

The [draft] amending Standard, pursuant to section 27(1) of the Financial Reporting Act 2013, takes effect on the 28th day after the date of its publication. The amending Standard was published under the Legislation Act 2019 on [date] and takes effect on [date].

Commencement and application

The [draft] amending Standard has a mandatory date of 1 January 2027, meaning it must be applied by Tier 2 for-profit entities for accounting periods that begin on or after this date.

Application to an earlier accounting period is permitted for accounting periods that end after this amending Standard takes effect – refer to paragraphs NZ C1.4–NZ C1.7 of this [draft] amending Standard.

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Part A – Introduction

This amending Standard modifies the disclosure requirements in NZ IFRS 18 *Presentation and Disclosure in Financial Statements* and NZ IAS 34 *Interim Financial Reporting* for Tier 2 for-profit entities.

Part B – Scope

This Standard applies to Tier 2 for-profit entities. A Tier 2 entity is not required to comply with the disclosure requirements in this Standard denoted with an asterisk (*).

Part C – Amendments to NZ IFRS 18 *Presentation and Disclosure in Financial Statements*

Paragraphs NZ 1.3, RDR 84.1 and RDR 85.1 are added. New text is underlined. Asterisks are added to paragraphs 82(b), 83, 84, 85 and 121–125 to indicate disclosure concessions for Tier 2 entities with respect to these paragraphs. The asterisks are underlined.

Scope

...

NZ 1.3 With respect to management-defined performance measures:

- (a) A Tier 2 entity is not required to comply with the disclosure requirements in paragraphs 121–125 and paragraphs B132–B142. However, if a Tier 2 entity chooses to disclose information in the notes about one or more management-defined performance measures, the Tier 2 entity must comply with all the disclosure requirements in paragraphs 121–125 and paragraphs B132–B142.
- (b) Paragraphs 117–120 and B113–B131 are definitional in nature and contain principles to enable an entity to identify whether it has one or more management-defined performance measures for the purposes of applying the disclosure requirements in paragraphs 121–125 and paragraphs B132–B142.

...

Statement of profit or loss

...

Items to be presented in the statement of profit or loss or disclosed in the notes

...

Presentation and disclosure of expenses classified in the operating category

...

- 82 If an entity presents one or more line items comprising expenses classified by function in the operating category of the statement of profit or loss, it shall:

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(a) present a separate line item for its cost of sales, if the entity classifies operating expenses in functions that include a cost of sales function. That line item shall include the total of inventory expense described in paragraph 38 of NZ IAS 2 *Inventories*.

*(b) disclose a qualitative description of the nature of expenses included in each function line item.

***83 An entity that presents one or more line items comprising expenses classified by function in the operating category of the statement of profit or loss shall also disclose in a single note:**

(a) **the total for each of:**

(i) **depreciation, comprising the amounts required to be disclosed by paragraph 73(e)(vii) of NZ IAS 16 *Property, Plant and Equipment*, paragraph 79(d)(iv) of NZ IAS 40 *Investment Property* and paragraph 53(a) of NZ IFRS 16 *Leases*;**

(ii) **amortisation, comprising the amount required to be disclosed by paragraph 118(e)(vi) of NZ IAS 38 *Intangible Assets*;**

(iii) **employee benefits, comprising the amount for employee benefits recognised by an entity applying NZ IAS 19 *Employee Benefits* and the amount for services received from employees recognised by an entity applying NZ IFRS 2 *Share-based Payment*;**

(iv) **impairment losses and reversals of impairment losses, comprising the amounts required to be disclosed by paragraphs 126(a) and 126(b) of NZ IAS 36 *Impairment of Assets*; and**

(v) **write-downs and reversals of write-downs of inventories, comprising the amounts required to be disclosed by paragraphs 36(e) and 36(f) of NZ IAS 2; and**

(b) **for each total listed in (a)(i)–(v):**

(i) **the amount related to each line item in the operating category (see paragraph B84); and**

(ii) **a list of any line items outside the operating category that also include amounts relating to the total.**

***84** Paragraph 41 requires an entity to disaggregate items to provide material information. However, an entity that applies paragraph 83 is exempt from disclosing:

(a) in relation to function line items presented in the operating category of the statement of profit or loss—disaggregated information about the amounts of nature expenses included in each line item, beyond the amounts specified in paragraph 83; and

(b) in relation to nature expenses specifically required by an NZ IFRS to be disclosed in the notes—disaggregated information about the amounts of the expenses included in each function line item presented in the operating category of the statement of profit or loss, beyond the amounts specified in paragraph 83.

RDR 84.1 Paragraph 41 requires an entity to disaggregate items to provide material information. However, a Tier 2 entity is exempt from disclosing:

(a) in relation to function line items presented in the operating category of the statement of profit or loss—disaggregated information about the amounts of nature expenses included in each line item; and

(b) in relation to nature expenses specifically required by an NZ IFRS to be disclosed in the notes—disaggregated information about the amounts of the expenses included in each function line item presented in the operating category of the statement of profit or loss.

***85** The exemption in paragraph 84 relates to disaggregation of operating expenses. However, it does not exempt an entity from applying specific disclosure requirements relating to those expenses in NZ IFRS.

RDR 85.1 The exemption in paragraph RDR 84.1 relates to disaggregation of operating expenses. However, it does not exempt a Tier 2 entity from applying specific disclosure requirements relating to those expenses in NZ IFRS.

...

Notes

...

Management-defined performance measures

...

Disclosure of management-defined performance measures

- *121 The objective of the disclosures for management-defined performance measures is for an entity to provide information to help a user of financial statements understand:
- (a) the aspect of financial performance that, in management's view, is communicated by a management-defined performance measure; and
 - (b) how the management-defined performance measure compares with the measures defined by NZ IFRS.
- *122 An entity shall disclose information about all measures that meet the definition of management-defined performance measures in paragraph 117 in a single note (see paragraphs B132–B133). This note shall include a statement that the management-defined performance measures provide management's view of an aspect of the financial performance of the entity as a whole and are not necessarily comparable with measures sharing similar labels or descriptions provided by other entities.
- *123 An entity shall label and describe each management-defined performance measure in a clear and understandable manner that does not mislead users of financial statements (see paragraphs B134–B135). For each management-defined performance measure, the entity shall disclose:
- (a) a description of the aspect of financial performance that, in management's view, is communicated by the management-defined performance measure. This description shall include explanations of why, in management's view, the management-defined performance measure provides useful information about the entity's financial performance.
 - (b) how the management-defined performance measure is calculated.
 - (c) a reconciliation between the management-defined performance measure and the most directly comparable subtotal listed in paragraph 118 or total or subtotal specifically required to be presented or disclosed by NZ IFRS (see paragraphs B136–B140).
 - (d) the income tax effect (determined by applying paragraph B141) and the effect on non-controlling interests for each item disclosed in the reconciliation required by (c).
 - (e) a description of how the entity applies paragraph B141 to determine the income tax effect required by (d).
- *124 If an entity changes how it calculates a management-defined performance measure, adds a new management-defined performance measure, ceases using a previously disclosed management-defined performance measure or changes how it determines the income tax effects of the reconciling items required by paragraph 123(d), it shall disclose:
- (a) an explanation that enables users of financial statements to understand the change, addition or cessation and its effects.
 - (b) the reasons for the change, addition or cessation.
 - (c) restated comparative information to reflect the change, addition or cessation unless it is impracticable to do so. An entity's selection of a management-defined performance measure is not an accounting policy choice. Nonetheless, in assessing whether restating the comparative information is impracticable, an entity shall apply the requirements in paragraphs 50–53 of NZ IAS 8.
- *125 If an entity does not disclose the restated comparative information required by paragraph 124(c) because it is impracticable to do so, it shall disclose that fact.

Appendix B

Application guidance

Asterisks are added to paragraphs B84(b) and B132–B142, to indicate disclosure concessions for Tier 2 entities with respect to these paragraphs. The asterisks are underlined.

Statement of profit or loss

...

Items to be presented in the statement of profit or loss or disclosed in the notes

...

Presentation and disclosure of expenses classified in the operating category

Use of characteristics of nature and function

...

- B84 An entity will either present expenses by nature, or applying paragraph 83, disclose some expenses by nature. The amounts presented or disclosed need not be the amounts recognised as an expense in the period. They could include amounts that have been recognised as part of the carrying amount of an asset. If an entity:
- (a) presents amounts that are not the amounts recognised as an expense in the period, it will also present an additional line item for the change in the carrying amount of the affected assets. For example, applying paragraph 39 of NZ IAS 2, an entity might present a line item for changes in inventories of finished goods and work in progress.
 - *(b) discloses, applying paragraph 83(b), amounts that are not the amounts recognised as an expense in the period, the entity shall give a qualitative explanation of that fact, identifying the assets involved.

Notes

...

Management-defined performance measures

...

Disclosure of management-defined performance measures

Single note for information about management-defined performance measures

- *B132 Paragraph 122 requires an entity to include in a single note all information about management-defined performance measures required by paragraphs 121–125. If an entity also discloses other information in that note, the information in the note shall be labelled in a way that clearly distinguishes the information required by paragraphs 121–125 from the other information.
- *B133 For example, if an entity applies NZ IFRS 8 and the reportable segment information includes a management-defined performance measure, the entity may disclose the required information about the management-defined performance measure in the same note as other reportable segment information, provided the entity either:
- (a) includes in that note the information required by paragraphs 121–125 for all its management-defined performance measures and, to fulfil the requirements in paragraph B132, labels the information in the note in a way that clearly distinguishes the information required by paragraphs 121–125 from the information required by NZ IFRS 8; or
 - (b) provides a separate note that includes the information required for all its management-defined performance measures, including those for which the entity includes information in the reportable segment information.

A clear and understandable manner

- *B134 Paragraph 123 requires an entity to label and describe its management-defined performance measures in a clear and understandable manner that does not mislead users of financial statements. To provide such a

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description, an entity shall disclose information that enables a user of financial statements to understand the items of income or expense included and excluded from the subtotal. Therefore, an entity shall:

- (a) label and describe the measure in a way that faithfully represents its characteristics in accordance with paragraph 43 (see paragraph B135); and
- (b) provide information specific to management-defined performance measures—that is:
 - (i) if the entity has calculated the measure other than by using the accounting policies it used for items in the statement(s) of financial performance, the entity shall state that fact and the calculations it has used for the measure; and
 - (ii) if, in addition, the calculation of the measure differs from accounting policies required or permitted by NZ IFRS, the entity shall state that additional fact and, if necessary, an explanation of the meaning of terms it uses (see paragraph B135(b)).

***B135** To label and describe the measure in a way that faithfully represents its characteristics, an entity shall:

- (a) label the measure in a way that represents the characteristics of the subtotal (for example, using the label ‘operating profit before non-recurring expenses’ only for a subtotal that excludes from operating profit all expenses identified by the entity as non-recurring); and
- (b) explain the meaning of terms it uses in its descriptions that are necessary to understand the aspect of financial performance being communicated (for example, explaining how the entity defines ‘non-recurring expenses’).

Reconciliation to the most directly comparable total or subtotal

***B136** Paragraph 123(c) requires an entity to reconcile each management-defined performance measure to the most directly comparable subtotal listed in paragraph 118 or total or subtotal specifically required to be presented or disclosed by NZ IFRS. For example, an entity that discloses in the notes a management-defined performance measure of adjusted operating profit or loss shall reconcile that measure to operating profit or loss. In aggregating or disaggregating the reconciling items disclosed, an entity shall apply the requirements in paragraphs 41–43.

***B137** For each reconciling item, an entity shall disclose:

- (a) the amount(s) related to each line item in the statement(s) of financial performance; and
- (b) a description of how the item is calculated and contributes to the management-defined performance measure providing useful information (see paragraphs B138–B140), if necessary to provide the information required by paragraphs 123(a) and 123(b).

***B138** The description required in paragraph B137(b) is required if there is more than one reconciling item and each item is calculated using a different method or contributes to providing useful information in a different way. For example, an entity might exclude from a management-defined performance measure several items of expense, some because they were identified as outside management’s control and others because they were identified as non-recurring. In such cases, disclosure of which items contributed to which type of adjustment would be required to explain how the management-defined performance measure provides useful information.

***B139** A single explanation might apply to more than one item or might apply to all reconciling items collectively. For example, an entity might exclude several items of income or expense in calculating a management-defined performance measure based on an entity-specific application of ‘non-recurring’. In such a case, a single explanation that includes the entity’s definition of ‘non-recurring’ that applies to all reconciling items might satisfy the requirement in paragraph B137(b).

***B140** Applying paragraph 123(c), an entity is permitted to reconcile a management-defined performance measure to a total or subtotal that is not presented in the statement(s) of financial performance. In such cases, an entity:

- (a) shall reconcile that total or subtotal to the most directly comparable total or subtotal presented in the statement(s) of financial performance; and
- (b) is not required to disclose the information required by paragraphs 123(d) and 123(e) for the reconciliation in (a).

Income tax effect for each item disclosed in the reconciliation

***B141** An entity is required by paragraph 123(d) to disclose the income tax effect for each item disclosed in the reconciliation between a management-defined performance measure and the most directly comparable subtotal listed in paragraph 118 or total or subtotal specifically required to be presented or disclosed by

RDR CONCESSIONS – NZ IFRS 18

NZ IFRS. An entity shall determine the income tax effect required by paragraph 123(d) by calculating the income tax effects of the underlying transaction(s):

- (a) at the statutory tax rate(s) applicable to the transaction(s) in the tax jurisdiction(s) concerned;
- (b) based on a reasonable pro rata allocation of the current and deferred tax of the entity in the tax jurisdiction(s) concerned; or
- (c) by using another method that achieves a more appropriate allocation in the circumstances.

*B142 If, applying paragraph B141, an entity uses more than one method to calculate the income tax effects of reconciling items, it shall disclose how it determined the tax effects for each reconciling item.

Appendix C Commencement, application and transition

Paragraphs NZ C1.4–NZ C1.7 (and the related headings) are added. For ease of reading, these paragraphs have not been underlined.

Commencement and application

RDR Concessions – NZ IFRS 18 *Presentation and Disclosure in Financial Statements*

NZ C1.4 *RDR Concessions – NZ IFRS 18 Presentation and Disclosure in Financial Statements*, issued in [date], added paragraphs NZ 1.3, RDR 84.1 and RDR 85.1 and amended paragraphs 82(b), 83, 84, 85, 121–125, B84(b) and B132–B142. An entity shall apply those amendments in accordance with the commencement and application date provisions in paragraphs NZ C1.5–NZ C1.7. An entity that applies the amendments to an ‘early adoption accounting period’ shall disclose that fact.

When amending Standard takes effect (section 27 Financial Reporting Act 2013)

NZ C1.5 The amending Standard takes effect on the 28th day after the date of its publication under the Legislation Act 2019. The amending Standard was published on [date] and takes effect on [date].

Accounting period in relation to which standards commence to apply (section 28 Financial Reporting Act)

NZ C1.6 The accounting periods in relation to which this amending Standard commences to apply are:

- (a) for an **early adopter**, those accounting periods following and including, the **early adoption accounting period**.
- (b) for any other reporting entity, those accounting periods following, and including, the first accounting period for the entity that begins on or after the **mandatory date**.

NZ C1.7 In paragraph NZ C1.6:

early adopter means a reporting entity that applies this amending Standard for an early adoption accounting period

early adoption accounting period means an accounting period of the early adopter:

- (a) that begins before the mandatory date but has not ended or does not end before this amending Standard takes effect (and to avoid doubt, that period may have begun before this amending Standard takes effect); and
- (b) for which the early adopter:
 - (i) first applies this amending Standard in preparing its financial statements; and
 - (ii) discloses in its financial statements for that accounting period that this amending Standard has been applied for that period.

mandatory date means 1 January 2027.

Appendix F, the related headings and paragraphs NZ BC1–NZ BC2 are added. For ease of reading, these paragraphs have not been underlined.

Appendix F NZASB Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, NZ IFRS 18.

RDR Concessions – NZ IFRS 18 (paragraph NZ 1.3)

NZ BC1 Tier 2 entities do not have public accountability and therefore are not expected to issue public communications which would include management-defined performance measures as defined in NZ IFRS 18. In the rare instance that a Tier 2 entity has one or more management-defined performance measures, it is likely that users of Tier 2 financial statements would be able to request specific information from the entity on these measures. Therefore, the NZASB decided that Tier 2 entities do not have to comply with the disclosure requirements in NZ IFRS 18 relating to management-defined performance measures, as the benefits to users of these disclosures would not outweigh the costs on the entity to provide the information.

NZ BC2 The NZASB noted that if a Tier 2 entity has one or more management-defined performance measures, the entity may wish to disclose information about these measures in the notes to the financial statements. Under these circumstances, the NZASB considers it appropriate for the entity to comply with all the disclosure requirements in NZ IFRS 18 relating to management-defined performance measures. Doing so will ensure that there is consistent and comparable information about these measures within the financial statements, which will benefit users' understanding.

Part D – Amendments to NZ IAS 34 *Interim Financial Reporting*

Paragraphs RDR 16A.1 and NZ 61.1 are added. New text is underlined. An asterisk is added to paragraph 16A(m), to indicate a disclosure concession for Tier 2 entities with respect to this sub-paragraph. The asterisk is underlined.

Content of an interim financial report

...

Other disclosures

16A In addition to disclosing significant events and transactions in accordance with paragraphs 15–15C, an entity shall include the following information, in the notes to its interim financial statements or elsewhere in the interim financial report. The following disclosures shall be given either in the interim financial statements or incorporated by cross-reference from the interim financial statements to some other statement (such as management commentary or risk report) that is available to users of the financial statements on the same terms as the interim financial statements and at the same time. If users of the financial statements do not have access to the information incorporated by cross-reference on the same terms and at the same time, the interim financial report is incomplete. The information shall normally be reported on a financial year-to-date basis.

...

*(m) the disclosures about management-defined performance measures required by paragraphs 121–125 of NZ IFRS 18.

RDR 16A.1 **A Tier 2 entity must comply with paragraph 16A(m) if it chooses to disclose information about one or more management-defined performance measures in the notes to its interim financial statements or elsewhere in the interim financial report.**

...

Effective date

...

NZ 61.1 *RDR Concessions – NZ IFRS 18 Presentation and Disclosure in Financial Statements*, issued in [date], added paragraph RDR 16A.1 and amended paragraph 16A(m). An entity shall apply those amendments when it applies NZ IFRS 18.

The Appendix, related headings and paragraphs NZ BC1–NZ BC2 are added. For ease of reading, these paragraphs have not been underlined.
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Appendix NZASB Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, NZ IAS 34.

RDR Concessions – NZ IFRS 18 (paragraph RDR 16A.1)

NZ BC1 Tier 2 entities do not have public accountability and therefore are not expected to issue public communications which would include management-defined performance measures as defined in NZ IFRS 18. In the rare instance that a Tier 2 entity has one or more management-defined performance measures, it is likely that users of Tier 2 financial statements would be able to request specific information from the entity on these measures. Therefore, the NZASB decided that Tier 2 entities do not have to comply with the disclosure requirements in NZ IFRS 18 relating to management-defined performance measures, as the benefits to users of these disclosures would not outweigh the costs on the entity to provide the information. Similarly, the NZASB has proposed that Tier 2 entities do not have to disclose information on management-defined performance measures in the notes to the interim financial statements, or elsewhere in the interim financial report.

NZ BC2 The NZASB noted that if a Tier 2 entity has one or more management-defined performance measures, the entity may wish to disclose information about these measures in the notes to the financial statements. Under these circumstances, the NZASB considers it appropriate for the entity to comply with all the disclosure requirements in NZ IFRS 18 relating to management-defined performance measures. Doing so will ensure that there is consistent and comparable information about these measures within the financial statements, which will benefit users' understanding. Similarly, the NZASB considers it appropriate for Tier 2 entities to comply with paragraph 16A(m) if the entity chooses to disclose information about management-defined performance measures in the notes to the interim financial statements or elsewhere in the interim financial report.