# Illustrative NZ IFRS RDR 2024 financial statements

## Additional resources

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## Additional resources

This document provides a summary of (a) new standards and amendments that are effective for the first time for periods commencing on or after 1 January 2024 (i.e. years ending 31 December 2024), (b) IFRS IC agenda decisions issued between November 2023 and October 2024 that may be relevant for the preparation of annual reports in 2024 and 2025, (c) forthcoming requirements, being standards and amendments that will become effective on or after 1 January 2025, and (d) additional matters for consideration when preparing annual reports in 2024 and 2025.

The below requirements apply to Tier 1 and Tier 2 for-profit entities unless specifically stated otherwise.

### a) New standards and amendments – applicable from 1 January 2024

| Title | Key requirements | Effective date[1] |
|---|---|---|
| Amendments to FRS-44 | The amendments to FRS-44 aim to address concerns about the quality and consistency of disclosures an entity provides about fees paid to its audit or review firm for different types of services.<br><br>The enhanced disclosures are expected to improve the transparency and consistency of disclosures about fees paid to an entity's audit or review firm. | 1 January 2024<br><br>For further information, see Disclosure of Fees for Audit Firms' Services |
| Classification of Liabilities as Current or Non-current – Amendments to NZ IAS 1<br><br>Non-current Liabilities with Covenants – Amendments to NZ IAS 1 | Amendments made to NZ IAS 1 Presentation of Financial Statements in 2020 and 2022 clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (for example, the receipt of a waiver or a breach of covenant that an entity is required to comply with only after the reporting period).<br><br>Covenants of loan arrangements will not affect classification of a liability as current or non-current at the reporting date if the entity must only comply with the covenants after the reporting date. However, if the entity must comply with a covenant either on or before the reporting date, this needs to be considered in the classification as current or non-current even if the covenant is only tested for compliance after the reporting date.<br><br>The amendments require disclosures if an entity classifies a liability as non-current and that liability is subject to covenants with which the entity must comply within 12 months of the reporting date. The disclosures include:<br>● the carrying amount of the liability;<br>● information about the covenants (including the nature of the covenants and when the entity is required to comply with them); and<br>● facts and circumstances, if any, that indicate that the entity might have difficulty complying with the covenants.<br><br>The amendments must be applied retrospectively in accordance with the requirements in NZ IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors.*<br><br>Special transitional rules apply if an entity had early adopted the 2020 amendments regarding the classification of liabilities as current or non-current. | 1 January 2024<br><br>For further information, see Additional material<br><br>and<br><br>In brief INT2022-16 |

[1] *Applicable to reporting periods commencing on or after the given date.*

| Title | Key requirements | Effective date[1] |
|---|---|---|
| Lease Liability in a Sale and Leaseback – Amendments to NZ IFRS 16 | In November 2022, the NZASB issued narrow-scope amendments to the requirements for sale and leaseback transactions in NZ IFRS 16 *Leases* which explain how an entity accounts for a sale and leaseback after the date of the transaction. The amendments specify that, in measuring the lease liability subsequent to the sale and leaseback, the seller-lessee determines 'lease payments' and 'revised lease payments' in a way that does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right of use that it retains. This could particularly impact sale and leaseback transactions where the lease payments include variable payments that do not depend on an index or a rate. | 1 January 2024<br><br>For further information, see Additional material<br><br>and<br><br>In depth INT2023-01 |
| Supplier finance arrangements – Amendments to NZ IAS 7 and NZ IFRS 7 | The amendments introduce disclosures to enhance transparency of an entity's supplier finance arrangements (SFAs) and their effects on its liabilities, cash flows and exposure to liquidity risk.<br><br>The new disclosures will provide information about:<br><br>(1) The terms and conditions of SFAs.<br>(2) The carrying amount of financial liabilities that are part of SFAs, and the line items in which those liabilities are presented.<br>(3) The carrying amount of the financial liabilities in (2), for which the suppliers have already received payment from the finance providers.<br>(4) The range of payment due dates for both the financial liabilities that are part of SFAs, and comparable trade payables that are not part of such arrangements.<br>(5) Non-cash changes in the carrying amounts of financial liabilities in (2).<br>(6) Access to SFA facilities and concentration of liquidity risk with the finance providers.<br><br>Entities will be required to aggregate the information that they provide about SFAs. However, entities should disaggregate information about terms and conditions that are dissimilar, disclose explanatory information where the range of payment due dates is wide, and disclose the type and effect of non-cash changes that are needed for comparability between periods.<br><br>The amendments provide transitional relief by not requiring comparative information in the first year, and also not requiring disclosure of specified opening balances. Further, the required disclosures are only applicable for annual periods during the first year of application. Therefore, the earliest that the new disclosures will have to be provided is in annual financial reports for December 2024 year-ends, unless an entity has a financial year of less than 12 months.<br><br>***Reduced Disclosure Regime**<br>The amending standard *Supplier Finance Arrangements RDR* exempts Tier 2 for-profit entities from all of the new disclosure requirements. | 1 January 2024<br><br>For further information, see In brief INT2023-03<br><br>and<br><br>In depth INT2023-06 |

### b) IFRS IC agenda decisions issued in the last 12 months

As at 31 October 2024, the following agenda decisions were issued that may be relevant for the preparation of annual reports in 2024 and 2025. The date issued refers to the date of the relevant IFRIC Update. For more recent information refer to our website at viewpoint.pwc.com.

| Date issued | Topic |
|---|---|
| January 2024 | Merger between Parent and Its Subsidiary in Separate Financial Statements (IAS 27) |
| April 2024 | Payments Contingent on Continued Employment during Handover Periods (IFRS 3) |
| April 2024 | Climate-related Commitments (IAS 37) |
| July 2024 | Disclosure of Revenues and Expenses for Reportable Segments (IFRS 8) |

### c) Forthcoming requirements

As at 31 October 2024, the following standards and interpretations had been issued but were not mandatory for annual reporting periods ending on 31 December 2024. For more recent information refer to the following website at www.xrb.govt.nz.

| Title | Key requirements | Effective date[2] |
|---|---|---|
| Lack of Exchangeability - Amendments to NZ IAS 21 and NZ IFRS 1 | The amending standard defines when a currency is exchangeable and introduces new requirements, guidance, and disclosures relating to estimating the spot exchange rate when a currency is not exchangeable.<br><br>***Reduced Disclosure Regime**<br>The amending standard *Lack of Exchangeability RDR* exempts Tier 2 for-profit entities from some of the new disclosure requirements. | 1 January 2025<br><br>For further information, see Additional material<br><br>and<br><br>In brief INT2023-19 |
| Amendments to the Classification and Measurement of Financial Instruments – Amendments to NZ IFRS 9 and NZ IFRS 7 | These targeted amendments were issued to respond to recent questions arising in practice, and to include new requirements not only for financial institutions but also for corporate entities. These amendments:<br><br>(a) clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;<br>(b) clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;<br>(c) add new disclosures for certain instruments with contractual terms that can change cash flows (such as some financial instruments with features linked to the achievement of environmental, social and governance targets); and<br>(d) update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).<br><br>The amendments in (b) are most relevant to financial institutions, but the amendments in (a), (c) and (d) are relevant to all entities. | 1 January 2026<br><br>For further information, see<br><br>Additional material<br><br>and<br><br>In brief INT2024-14 |

[2] *Applicable to reporting periods commencing on or after the given date.*

| Title | Key requirements | Effective date[2] |
|---|---|---|
| NZ IFRS 18, *Presentation and Disclosure in Financial Statements* | This is the new standard on presentation and disclosure in financial statements, which replaces NZ IAS 1, with a focus on updates to the statement of profit or loss.<br>The key new concepts introduced in NZ IFRS 18 relate to:<br>● the structure of the statement of profit or loss with defined subtotals;<br>● requirement to determine the most useful structure summary for presenting expenses in the statement of profit or loss<br>● required disclosures in a single note within the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and<br>● enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.<br>***Reduced Disclosure Regime**<br>NZ IFRS 18 includes RDR disclosure concessions and associated RDR paragraphs for Tier 2 for-profit entities. | 1 January 2027<br>For further information, see<br>NZ IFRS 18<br>and<br>In brief: NZ IFRS 18 is here: redefining financial performance reporting<br>For financial services companies, see<br>In brief INT2024-08<br>For treasury topics for corporate entities, see<br>In brief INT2024-09 |

## d) Additional matters for consideration

| Topic | Requirements and useful links |
|---|---|
| Disclosing the impact of climate change | NZ IFRS does not refer explicitly to **climate-related matters**; however, companies must consider them in applying NZ IFRS where the effect of those matters is material to the financial statements. To help preparers and auditors identify where additional disclosures may be required, please refer to Appendix D of the global IFRS 2024 publication.<br>Mandatory reporting against the Aotearoa New Zealand Climate Standards (CRDs) is now effective for all Climate Reporting Entities (CREs) in New Zealand. Reporting entities that have identified climate related risks or highlighted net zero or carbon reduction commitments outside the financial statements should consider the related impact on their financial statements.<br>In July 2024, the IASB published an ED on Climate-related and Other Uncertainties in the Financial Statements to propose illustrative examples of how an entity might apply the requirements in IFRS Accounting Standards to disclose the effects of climate-related and other uncertainties in the financial statements. The ED includes examples for materiality judgements, disclosure of assumptions, disclosures about credit risk, disaggregated information and decommissioning and restoration provisions. The comment period is open until 28 November 2024.<br>While the proposed examples in the ED are still subject to change, entities might find the examples a useful source of information in assessing how to comply with existing standards in conjunction with the educational material published by the IASB discussed below.<br>Until the project is completed, the IASB's educational material remains a valuable source of guidance under IFRS Accounting Standards for considering climate-related effects. ESMA has also released its report The Heat is On as part of its strategic priorities to promote high-quality sustainability disclosures. However, preparers should continue to closely monitor accounting and regulatory developments in this area.<br>Further information can be found in the following publications:<br>● Climate change impact and NZX50 March 2024 reporters: evaluating financial reports and responses to new climate-related disclosure requirements<br>● In brief INT2024-05: SEC adopts climate-related disclosure rules<br>● In depth INT2021-11: Impact of ESG matters on IFRS financial statements<br>● In Brief: The importance of reflecting climate change in the financial statements<br>● In Brief: Extreme weather events: the impact on financial statements<br>● Climate-related matters in financial statements (XRB)<br>● Climate risks and the impact on financial statement audits (FMA) |

| Topic | Requirements and useful links |
|---|---|
| Accounting implication of geopolitical conflicts | Geopolitical risk and uncertainty from various international conflicts and related sanctions has become commonplace in recent times. It is important for reporting entities to recognise the significance of the impacts that these types of events will have on the business environment, liquidity and asset values, not only in the affected regions but also globally. Global businesses might be severely impacted by supply chain disruption, market volatility, payment risk and increasing commodity costs. The impact can be compounded when companies choose to limit or cease operations in a particular territory.<br><br>The potential implications for financial statements include not only the recognition and measurement of assets and liabilities but also presentation, disclosure and, possibly, an entity's ability to continue as a going concern. For guidance, refer to In depth INT2024-04 Accounting implications of geopolitical conflicts. |
| Macroeconomic considerations | Inflation and high interest rates can be a significant source of estimation uncertainty and can have a material impact on the carrying amount of assets and liabilities. For a number of jurisdictions recent spikes in inflation and interest rates might now be stabilising or even decreasing, which might require updates to disclosure for a decrease in volatility. Some entities might still need to update judgements and estimates, as well as related disclosures, for the impacts of the ongoing economic uncertainty. Entities might also need to update sensitivity analysis to reflect a widening reasonable possible range for interest rate changes, and continue to consider the impact that inflation and high interest rates have had on their performance and financial position.<br><br>Rising inflation and interest rates will affect fair value measurements, expected future cash flow estimates, discount rates used to determine present value of cash flows, impairment indicators and impairment tests. Rising inflation and interest rates may also cause significant estimation uncertainty in relation to the measurement of both short- and long-duration assets and liabilities. Entities may therefore also need to consider new or expanded disclosures in this area. For guidance, see In depth INT2022-12 Navigating IFRS Accounting Standards in periods of rising inflation and interest rates. For sample disclosures affecting various areas of the financial statements, please refer to the global IFRS 2024 publication. |
| OECD Pillar Two Rules | New Zealand enacted legislation on 28 March 2024 that incorporates the OECD's Model Rules, Commentary and Administrative Guidance into New Zealand law by reference. The legislation contains an income inclusion rule (IIR), an undertaxed payments rule (UTPR), and a domestic income inclusion rule (DIIR). New Zealand is implementing the IIR and UTPR on 1 January 2025 and 1 DIIR on 1 January 2026.<br><br>In July 2023 the NZASB issued narrow-scope amendments to NZ IAS 12 effective 1 January 2023 which provide a temporary relief from the requirement to recognise and disclose deferred taxes arising from enacted or substantively enacted tax law that implements the Pillar Two model rules, including tax law that implements qualified domestic minimum top-up taxes described in those rules.<br><br>The amendments also require affected companies to disclose:<br>● the fact that they have applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes,<br>● their current tax expense (if any) related to the Pillar Two income taxes, and<br>● during the period between the legislation being enacted or substantially enacted and the legislation becoming effective, known or reasonably estimable information that would help users of financial statements to understand an entity's exposure to Pillar Two income taxes arising from that legislation. If this information is not known or reasonably estimable, entities are instead required to disclose a statement to that effect and information about their progress in assessing the exposure.<br><br>For further information, see International Tax Reform – Pillar Two Model Rules, In depth INT2023-10 Global implementation of Pillar Two: Impact on deferred taxes and financial statement disclosures and Pillar Two – Global minimum effective tax rate: New Zealand draft legislation released. |

| Topic | Requirements and useful links |
| --- | --- |
| Removal of tax depreciation deductions of industrial and commercial buildings in New Zealand | On 28 March 2024, the New Zealand government enacted the removal of tax depreciation deductions of industrial and commercial buildings with a useful life of 50 years or more from the 2024-25 income tax year.<br><br>The ability to claim tax depreciation was removed in 2010 and reinstated in 2020 as part of the Government's COVID-19 Stimulus Package. The impact of 'switching on' tax depreciation from 2020 and then 'switching it off' again from the 2024/2025 income year introduces commercial, tax and financial reporting complexities. This tax change will impact accounting for deferred tax on buildings recognised on a recovery through use basis under NZ IAS 12.<br><br>Entities will need to analyse existing fixed asset and tax registers to identify buildings where deferred tax is recognised on a recovery through use basis. This will include investment properties, where the rebuttable presumption that the carrying value will be recovered through sale has been rebutted. Consideration should also be given towards including disclosures in the financial statements to inform readers of this change in legislation and the impact thereof.<br><br>For further guidance, see In-brief: Navigating the proposed removal of tax depreciation: Key considerations for businesses. |

# Thank you.

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