



**Thinking allowed**

Non-GAAP and Alternative performance measures

February 2017



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# Introduction

The reporting of *alternative performance measures* (APMs) has attracted a lot of attention recently.

ESMA (the European Securities Markets Authority) and the US SEC have issued new or updated guidance on what they consider to be acceptable, or not, reporting of APMs or non-GAAP financial measures in narrative that accompanies financial statements. The IASB (the International Accounting Standards Board) has been discussing the topic as part of its Disclosure Initiative, and the reporting of APMs has featured in several speeches by its Chairman.<sup>1</sup>

It would be fair to say that most of the discussions of APMs are not always positive. There seems to be a presumption that management report APMs and non-GAAP financial measures to present their entity in a more favourable light than the GAAP information might convey.

In this paper we explain that APMs and non-GAAP financial measures can be helpful, and in some cases essential, to investors. We explore how companies, standard-setters and regulators can help ensure that APMs and non-GAAP financial measures enhance rather than detract from high-quality annual reports.

In this paper we explain that APMs and non-GAAP financial measures can be helpful, and in some cases essential, to investors.

# Context

Annual reports are often thought of as having two halves. In the front half is a commentary. And in the back half are the financial statements.<sup>2</sup>

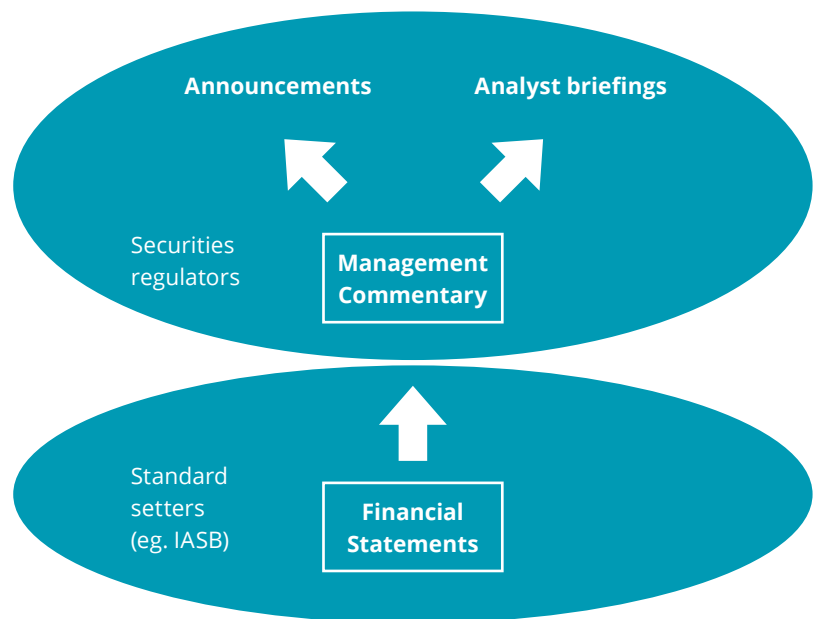
The commentary has various names, such as Management Commentary, Strategic Report, MD&A or Management Report, depending on the jurisdiction in which it is being prepared. The commentary could contain an assessment of the business, key performance measures and remuneration reports. This commentary typically includes information extracted from the financial statements. It is here that APMs become more prevalent, and are presented alongside, in contrast to, or instead of the GAAP measures.

## Securities regulators and standard setters

Financial statements are generally required to be prepared in accordance with GAAP, be it IFRS or a domestic GAAP. For those entities applying IFRS, the content and presentation of information in the financial statements is determined primarily by the Standards and Interpretations issued by the IASB, although securities regulators can influence how those standards are applied.

Securities regulators generally have jurisdiction over the commentary as well as over market announcements, which often include information extracted from the financial statements. As financial measures travel outside of the financial statements it is important that those relying on the information know whether it has been extracted unaltered from the (audited) financial statements or whether it has morphed into something else. Standard setters have responsibility for shaping the information in the financial statements. (See Figure 1)

**Figure 1**



# Non-GAAP financial measures

The terms non-GAAP financial measures and alternative performance measures are often used synonymously.

## Definitions

IOSCO defines a non-GAAP financial measure as “a numerical measure of an issuer’s current, historical or future financial performance, financial position or cash flow that is not a GAAP measure”. The ESMA Guidelines define an APM as “a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework.” The SEC defines them as financial measures that are not required to be disclosed by GAAP. The definition of non-GAAP seems to be broadly consistent, and is anchored within a specific GAAP, such as IFRS, UK FRS, US GAAP and so on.<sup>3</sup>

Despite the common definition, agreeing if some information has been prepared in accordance with GAAP requirements is not always that simple. Using IFRS as an example, IAS 1 sets out some basic sub-totals that must be presented in the income statement. But it also requires an entity to “present additional line items ... headings and subtotals ... when such presentation is relevant to an understanding of the entity’s financial performance.”

## What is “non-GAAP”?

Separating out the financial consequences of a major transaction or event can be a legitimate application of this requirement. IAS 1 even gives examples of such circumstances that include write-downs (or reversals of write-downs) of assets, restructuring, gains or losses on disposal of assets and litigation settlements. IAS 16 requires an entity to separate property, plant and machinery into classes, but does not specify classes. The term “total assets” is neither defined nor referred to in IFRS, but it would defy logic to conclude that this is a non-GAAP measure.<sup>4</sup>

A review of financial statements prepared in accordance with IFRS reveals that many entities have line items and sub-totals in addition to those specified in IAS 1. The problem is not the provision of more detailed primary financial statements. And nor is providing information that supplements and complements the GAAP numbers always a problem. It is when entities present information that is inconsistent with GAAP, and often it is presented with more prominence or is conveyed as being “better” than the GAAP information, that there are legitimate concerns.

## EBIT and EBITDA

EBIT and EBITDA are identified in some jurisdictions as being non-GAAP measures because they lack a standard meaning. The IASB set out conditions for providing additional sub-totals when it amended IAS 1 in December 2014. The IASB says that measures such as EBIT and EBITDA can be legitimate sub-totals in an income statement, provided that they simply adjust profit before tax by the interest (and depreciation and amortisation) as measured by applying IFRS. The Australian, Canadian and New Zealand securities regulators share that view, but emphasise that it must not be adjusted in any way. In contrast, the ESMA Guidelines state that EBITDA is an APM.

Similarly, IFRS 8 *Operating Segments* requires that segment information be measured on the same basis as financial information is reported internally to management, which might not be in accordance with IFRS. If the Management Commentary comments on performance based on the segment information, there is some debate about whether it is a GAAP or a non-GAAP measure.

# Why APMs are reported

There are several reasons why entities present non-GAAP financial measures.

## Separating different aspects of financial performance

Perhaps the most common APMs that attract attention are those that adjust for the effects of some activities to convey a core or underlying profit.

There is a parallel in economics when assessing inflation. Economists refer to either “headline inflation” or “core inflation”, or both. Headline inflation is a raw inflation number that captures total inflation whereas core inflation excludes items that are subject to sudden and temporary price fluctuations. Core inflation is a proxy for underlying inflation. It is used as the basis for some policy decisions or for determining inflation adjustments.<sup>5</sup>

Of course, if you are a consumer, you are affected by headline inflation. You do care about one-off changes in prices, but you might also be relieved that they are less likely to be sustained changes.

We will come back to the inflation example later, but the idea of disaggregating financial performance to help investors understand the different aspects of an entity's performance seems sensible. There is evidence that separating items such as those identified in IAS 1 (restructuring, gains or losses on disposal of assets, impairments and reversals and litigation settlements) *can* provide incremental information to help investors.

## Meeting different needs

Many entities present adjusted earnings figures that they use as the basis for assessing management performance.

In the energy sector it is common for entities to report profits with inventories measured on a current cost basis (by adjusting out holding gains or losses) because they assess management on this basis. Some businesses also use the core or underlying earnings number for assessing management performance.

Having different measures for different purposes can be appropriate.

## Supplementing and complementing

Some disclosures we observe in IFRS financial statements are a legacy of the GAAP that IFRS replaced. An example is net debt, which many UK and French registered companies applying IFRS disclose, presumably because they reported it when they applied their local GAAP.

Some GAAP requirements are not fully developed for some sectors. For example, the IFRS requirements for insurance contracts and for the exploration and evaluation of mineral resources essentially allow entities to continue to apply their legacy GAAP for these activities, with some constraints.

The nature of the risks and opportunities facing corporations has changed over time. Much of the global value today is more technology, service and knowledge based than it was 40 years ago. As a consequence many of the assets companies invest in are intangible rather than the physical assets that property, plant and equipment accounting standards were developed to address.

Some information about intangible, and other, assets and risks and opportunities more generally may best be captured by presenting supplementary measures. Much of this information could be non-financial, such as occupancy rates of leased properties, known reserves in extractive industries, handset churn rates, customer satisfaction measures, loading factors on aircraft, patents approved, sales volumes, sales return percentages and so on. These measures generally do not trouble securities regulators or standard-setters.

Some measures use financial information in their calculations, such as same-store sales. Because they use financial data they can be a concern to regulators, if the financial data has been adjusted away from GAAP.

## Challenging GAAP

Sometimes entities present information that clearly challenges the GAAP requirements. Before the IASB amended IAS 41 *Agriculture*, several entities with agricultural activities stripped out of earnings the effect of the fair value measurements required by IAS 41. The accompanying commentary made it clear that this is because they did not agree with the IFRS requirements. These situations can be a particular concern to regulators.

# The “problem” with APMs

Many APMs are perceived as being biased or misleading. Perhaps if APMs stood for additional performance measures we wouldn't have a problem. But it doesn't.

## Core, or underlying, earnings

The APM that probably attracts the most negative attention is core or underlying earnings. We cannot say unreservedly that all entities that present adjusted earnings numbers are trying to present what is core to them, but this is a reasonable assumption.

These adjusted earnings measures are widely perceived to be biased.

## Perceived bias

There is a perception that APM's only ever adjust out expenses or losses. There are several surveys and reports that demonstrate that non-GAAP profit is higher than GAAP profit, on average. For example, the New Zealand Financial Market Authority reported in 2013 that non-GAAP profit for a sample of NZ-listed entities was 75 per cent higher than GAAP profit, PwC report an average of 57 per cent for FTSE 100 companies and for the S&P500 Citi Research reports a non-GAAP profits being 30 per cent higher than their GAAP equivalents.<sup>6</sup> The amounts involved are equally impressive, with non-GAAP adjustments pushing profits up by £60b for the FTSE 100 companies in 2015.

While that might imply bias on the part of the reporting entities, the appropriate question to ask is what we would *expect* the average adjustment to be.

If you looked at your personal finances, you would probably expect to find more unexpected costs than unexpected windfalls. And it is no different for companies. The likelihood of unanticipated negative outcomes is likely to outweigh the opportunity for positive outcomes. IAS 1.98 lists examples of activities that the IASB expects to lead to disaggregation from profit or loss. They are more likely to be negative than positive.

Think about our inflation example. On average, we expect prices to rise. We are less likely to get drops in prices, but they do happen particularly with energy, which is one of the items adjusted out of headline inflation to get to core inflation. This is what we observe. In the UK, Europe and the US, headline inflation was higher than core inflation in 9 of the first 11 years of this century.<sup>7</sup> That should be no surprise.

So we are not surprised that negative outcomes dominate the adjustments to IFRS profits. We should be comforted when we observe that in any given year there are companies that report a non-GAAP profit that is lower than the IFRS profit. In the NZ FMA survey 17 per cent of the companies reported a lower non-GAAP profit and 12 per cent of the PwC sample did so. And we also observe this variable effect within a single company. For example, BP reported lower non-GAAP profits in two of the years 2011 to 2015.

“One of these measures is an ‘underlying profit’ notion, which is also considered to be an important performance metric for the company as a whole. Well, whenever a company starts talking about ‘underlying profits’, I always get very curious what’s on top! In this case, the metric excluded costs such as restructuring and impairment charges. In my view, these costs are part of daily life of any big company and should be considered normal operating expenses.”

**Hans Hoogervorst, IASB Chairman, March 2016**



None of the research we have examined assessed the reported adjustments against expectations or whether there is bias within particular events, such as stripping out losses but not gains on disposal of property, plant and equipment, or reporting only increases in provisions but not decreases.

The problem is not that all companies only ever adjust for bad news. The problem is that, although it is difficult to observe directly, some companies probably do only adjust for bad news and give that adjusted measure more prominence than the GAAP profit. They taint APMs.

### Neutrality, consistency and clarity

There is very little controversy about the idea of measuring headline and core inflation. Sometimes there are debates about what items should be adjusted from headline inflation. But the list is clear and is applied consistently. The same cannot be said for core or underlying earnings. There is no general agreement about what an adjusted earnings figure is trying to capture and therefore no agreement on what adjustments are appropriate. Also, companies should not be separating out and reporting (i.e. disaggregating) only negative instances of the same economic event – if you report a loss on disposal then you also need to report a gain from disposal.

### Purpose of the APM

It is not always clear whether an APM is complementing or competing with GAAP.

Often, the APM is one of the KPIs used to determine performance-based remuneration. The fact that a KPI is adjusted away from GAAP earnings does not mean that, for example, the remuneration committee disagrees with the GAAP measure. It could be that they are trying to measure core earnings or they are making adjustments for market movements that they consider to be outside the control of management.

If the measure used to assess management performance is different from IFRS it is important to explain why and to provide information that can help investors assess the appropriateness of those measures. Recently we have seen shareholders vote against remuneration recommendations, so we know that this information is important. Regulators recognise the importance of explaining to the readers of the management commentary why an APM is being used, and require that entities disclose this.<sup>8</sup>

No matter what the intention is behind an APM, regulators, and the IASB, do not permit APMs to be given more prominence than GAAP measures. This is a principle embedded in regulatory guidance and IAS 1. This makes sense. The GAAP measures are the anchor, whether the purpose is to supplement GAAP measures or compete with them. Non-GAAP measures must not undermine GAAP measures.

In circumstances when the entity challenges IFRS and presents its alternative view on some accounting, it is particularly problematic if that alternative treatment is given more prominence than the IFRS number. Users of the annual report have a right to expect that the accounting for an activity that has clear requirements in the relevant GAAP have been applied.

In the inflation example, headline and core inflation are not competing measures. Each serves a different purpose and they are often reported together.

### Bias

When the IASB amended IAS 1 in December 2014 it added a requirement that additional subtotals presented in the income statement must be “labelled in a manner that makes the line items that constitute the subtotal clear and understandable.”<sup>9</sup>

It is important that readers understand why an APM is being used.

## APMs must not undermine GAAP measures.

Not all APM's are presented as line items on the income statement. Most are presented in the management report that accompanies the financial statements. Securities regulators also want those APMs to have meaningful labels reflecting their content, to avoid conveying misleading messages to users. This includes avoiding overly optimistic or positive labels such as 'guaranteed profit' or 'protected returns'.<sup>10</sup> The most common terms we have observed to describe the APM, or the adjustments, are core, underlying, non-operating, non-recurring, non-cash, non-core and one-off.

Any implication that the adjusted profit captures "core" or "underlying" earnings is likely to cause concerns for investors. Such terms lack rigour.

### **The adjustments are not consistent**

There is some evidence that the adjustments entities make are not consistent over time. However, concluding that entities are behaving opportunistically rests on what we mean by "consistent". Entities might restructure some aspects of their business each year but only adjust for major restructuring activities. Entities are assessing within the context of the current period whether the consequences of an activity or event should be adjusted out of the GAAP earnings. Unlike the inflation example where the adjustments to measure core inflation are determined ex-ante, the adjustments to GAAP earnings are sometimes determined ex-post.

Companies should explain their approach to non-GAAP measures in their accounting policy statements.

### **Incomplete information**

Sometimes it is difficult to tell that an entity is reporting a measure using an adjusted number. Users of the financial statements should be entitled to assume that derived measures such as same-store sales use unadjusted GAAP numbers. If such measures use a sales or revenue number that is not measured on the same basis as the relevant GAAP, that fact needs to be explained and the adjusted measure reconciled to the GAAP measure. It should be obvious that you are looking at GAAP measures or numbers that have been adjusted in some way.

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# Where to now?

APMs have a purpose and, as we have explained, are an important tool for entities presenting a complete and balanced view of their activities. They are often necessary for investors to be able to understand an entity's performance.

Standard-setters, such as the IASB and domestic standard-setters, generally have responsibility for how financial statements are constructed and presented. In some jurisdictions regulators have limited how information is presented in the primary financial statements.

The commentary prepared by management of the governing body (strategic report, management commentary, MD&A) is often the first place in which management refers to a non-GAAP earnings. Public announcements and analyst presentations will also often report non-GAAP measures. In most jurisdictions it is the securities regulators who oversee this process.

## Standard-setters

### Structure of the performance statement

The IFRS, and US GAAP, requirements for how the performance statement must be structured are limited. In IAS 1 there is an, almost, complete lack of guidance about how to structure the sections of an income statement between revenue and profit before tax. IFRS does not even define gross profit, although the illustrative examples that accompany IAS 1 include one with a gross profit sub-total.

This invites companies to use a lot of discretion when reporting financial performance. It is hardly surprising that companies have accepted that invitation. At the very least, comparability could be improved by GAAP providing clearer principles for disaggregating and additional subtotals. The most obvious candidate is operating income (or profit). The changes the IASB made to IAS 1 in December 2014 at least provide more discipline to how sub-totals need to be presented.

### Lessons from the past

We need to learn from past actions of Standard-setters. In the 1980s several standard-setters required that abnormal and extraordinary items be separated from other components of income. Companies routinely reported earnings before extraordinary items.

Those standards were steadily withdrawn, motivated by perceptions of financial reporting abuse by reporting entities – that gains were ordinary and losses were extraordinary. IAS 1 goes as far as prohibiting anything in the income statement being labelled as extraordinary. Entities are complying with this requirement, but all that we seem to have done is create similes for extraordinary, such as exceptional, unusual, non-recurring, abnormal and one-off.<sup>11</sup>

There is evidence that one of the outcomes of this change was to reduce the amount of information companies disclosed in their annual reports. And, relatedly, the usefulness of the information in earnings announcements dropped. This was clearly not what the standard-setters set out to achieve.

A difficult question is whether it is the standard-setters who should determine what should be separated from total income, or whether it is the company that should make that determination. This is an issue the IASB and FASB will need to consider in their projects on disclosure and financial performance reporting.

One route is for the standard-setters to provide more structure to the income statement and develop general principles for what should be included in operating profit.<sup>12</sup> The quid pro quo for giving entities some discretion in providing additional sub-totals, to which the entities presumably attribute some meaning, should be a requirement to provide clear information about the items that were adjusted to get to those sub-totals.

A more prescriptive structure for a performance statement is likely to increase comparability. But there is a tipping point. Overly prescriptive requirements could actually reduce comparability, by shoe-horning dissimilar earnings components into IASB-defined subtotals. And if this occurs it could simply create a demand for APMs. Some specialist industries such as banks and insurance businesses often argue that their activities do not fit easily into a general reporting structure.

# Summary

Preparers have access to the data that underpins the annual report and have a responsibility to ensure that the process of the data summarising into the financial statements does not result in important information being hidden from investors through aggregation (see also *Thinking Allowed – The future of corporate reporting*).<sup>13</sup> The standards should also not force entities to treat as APMs information that is essential to investors.

## Regulators

If the standard-setters get it right it will make the task of the regulators much easier. There will simply be less incentive, or need, to report APMs. Also, if a measure is defined in GAAP it is not considered by regulators as an APM provided that it is reported outside of the financial statements at face value.

Regulators around the globe have been taking steps to constrain APMs. There are common themes in their actions. Companies are being told that APMs must not be biased in the way they are constructed or labelled. They must define the APM, describe its purpose and reconcile it to the relevant GAAP measure. And they must use the APM consistently, or explain why it has changed.

Much of this action has only been relatively recent. And recent criticism of APMs focuses on financial reporting that has yet to emerge from these new guidelines.

Non-GAAP financial measures, particularly those that provide an alternative performance measure, have been receiving a lot of attention, from securities regulators, standard-setters, analysts and the press.

Many securities regulators have issued documents or guidelines on the reporting and use of non-GAAP measures. But it will take time for us to observe the effects of those guidelines. The ESMA guidelines only became effective in July 2016 and the US SEC updated its interpretive guidance on non-GAAP financial measures in May 2016.

The IASB has also acted to improve the integrity of additional sub-totals and “adjustments” reported in the financial statements. But the December 2014 amendments to IAS 1 only came into effect for annual periods beginning on or after 1 January 2016.

And the debates and discussions that we have seen over the last year or so about APMs mean that they will continue to receive a lot of attention during the next reporting season.

With all of these developments, we are probably not in a bad place. We should be encouraged that there is a sound framework for giving more credibility to non-GAAP financial measures.

If there is an area where work needs to be done, it is in reducing the need for APMs. This is where the standard-setters have a role to play. The performance reporting projects the IASB and FASB are undertaking will be particularly important. Giving the income statement more structure, without undermining the ability of an entity to tell its story, could reduce the need for entities to report APMs. But we also know from the experience the IASB and FASB had with their joint financial statement presentation project that this is not an easy task.

For the annual report to remain relevant we need discipline and a framework for APMs, but not a straightjacket.

# References and resources

ESMA	ESMA Guidelines on Alternative Performance Measures (October 2015)	<a href="http://www.esma.europa.eu/sites/default/files/library/2015/10/2015-esma-1415en.pdf">http://www.esma.europa.eu/sites/default/files/library/2015/10/2015-esma-1415en.pdf</a>
IASB	IAS 1 <i>Presentation of Financial Statements</i>	<a href="http://eifrs.ifrs.org/eifrs/bnstandards/en/2016/ias01.pdf">http://eifrs.ifrs.org/eifrs/bnstandards/en/2016/ias01.pdf</a> (You will need to register with the IFRS Foundation to access this Standard)
NZ Financial Markets Authority	Guidance Note: Disclosing non-GAAP financial information (September 2012)	<a href="http://fma.govt.nz/assets/Guidance/120901-guidance-note-disclosing-non-gaap-financial-information.pdf">http://fma.govt.nz/assets/Guidance/120901-guidance-note-disclosing-non-gaap-financial-information.pdf</a>
	Monitoring of non-GAAP disclosures (September 2013)	<a href="http://fma.govt.nz/assets/Reports/130930-Monitoring-of-non-gaap-disclosures-2013.pdf">http://fma.govt.nz/assets/Reports/130930-Monitoring-of-non-gaap-disclosures-2013.pdf</a>
UK Financial Reporting Council	ESMA Guidelines on Alternative Performance Measures – Frequently Asked Questions	<a href="https://www.frc.org.uk/Our-Work/Publications/Accounting-and-Reporting-Policy/FAQs-ESMA-Guidelines-on-Alternative-Performance-M.pdf">https://www.frc.org.uk/Our-Work/Publications/Accounting-and-Reporting-Policy/FAQs-ESMA-Guidelines-on-Alternative-Performance-M.pdf</a>
US SEC	SEC Final Rule: Conditions for Use of Non-GAAP Financial Measures (January, 2002)	<a href="https://www.sec.gov/rules/final/33-8176.htm">https://www.sec.gov/rules/final/33-8176.htm</a>
	Updated Compliance & Disclosure Interpretations on non-GAAP financial measures (May 2016)	<a href="https://www.sec.gov/divisions/corpfin/guidance/nongaapinterp.htm">https://www.sec.gov/divisions/corpfin/guidance/nongaapinterp.htm</a>

## Deloitte publications, all available on [www.iasplus.com](http://www.iasplus.com)

US	Heads Up – Top 10 questions to ask when using a non-GAAP measure (April 2016)	<a href="http://www.iasplus.com/en/publications/us/heads-up/2016/issue-10">http://www.iasplus.com/en/publications/us/heads-up/2016/issue-10</a>
	A roadmap to non-GAAP financial (September 2016)measures (	<a href="http://www.iasplus.com/en/publications/us/roadmap-series/non-gaap">http://www.iasplus.com/en/publications/us/roadmap-series/non-gaap</a>
UK	Alternative performance measures: A practical guide (July 2016)	<a href="http://www.iasplus.com/en/publications/global/other/apm">http://www.iasplus.com/en/publications/global/other/apm</a>
Global	Thinking Allowed – The future of corporate reporting	<a href="http://www.iasplus.com/en/publications/global/thinking-allowed/2016/the-future-of-corporate-reporting">http://www.iasplus.com/en/publications/global/thinking-allowed/2016/the-future-of-corporate-reporting</a>

# Endnotes

1. See for example Hans Hoogervorst, Chairman of the IASB, speaking at the Annual Conference of the European Accounting Association in Maastricht: 'Performance reporting and the pitfalls of non-GAAP metrics' and at the Korean Accounting Review International Symposium, Seoul, Korea: 'Mind the Gap (Between non-GAAP and GAAP)' (both accessible at <http://www.ifrs.org/About-us/IASB/Members/Pages/IASB-speeches.aspx>)
2. Annual reports often also contain other statutory information.
3. In this paper we use GAAP to refer to IFRS and any relevant set of financial reporting requirements such as US GAAP, UK GAAP and so on. We use IFRS to demonstrate the relationship between GAAP requirements and APMs. The same principles apply to other GAAP.
4. The term is used in some illustrative examples in the material accompanying IFRS, but not in the Standards or Interpretations.
5. The economist Frederic Mishkin has said that it makes sense for a central bank to emphasise headline inflation when determining the appropriate stance of monetary policy over the medium run, but policymakers also are right to emphasize core inflation when deciding how to adjust policy from meeting to meeting. This is because central bankers are concerned with the underlying rate of inflation going forward, and core inflation can be a useful proxy for that rate. Focusing on core inflation can help prevent a central bank from responding too strongly to transitory movements in inflation. (From a speech at the Business Cycles, International Transmission and Macroeconomic Policies Conference, HEC Montreal, Montreal, Canada, October 2007)
6. NZ Financial Markets Authority: Monitoring of non-GAAP disclosures (September 2013); Citi: Mind the Gap: Non-GAAP earnings, why this Matters (April 2016); PwC: An alternative picture of performance, (January 2016).
7. See <http://www.economicshelp.org/blog/2587/inflation/difference-between-cpi-and-core-cpi/>
8. ESMA requires that an explanation be provided to allow users "to understand their relevance and reliability" (paragraph 33 of the ESMA Guidelines on Alternative Performance Measures).
9. IAS 1, paragraph 85A (b).
10. See, for example, paragraphs 22 and 23 of the ESMA Guidelines on Alternative Performance Measures.
11. The Oxford Dictionary defines extraordinary as very unusual, remarkable or exceptional. It also gives an example of "an item in a company's accounts not arising from its normal activities."
12. Operating profit is a measure commonly referred to by entities and investors as capturing the core activities of an entity. There is, however, no common definition.
13. Thinking Allowed – The future of corporate reporting;  
<http://www.iasplus.com/en/publications/global/thinking-allowed/2016/the-future-of-corporate-reporting>

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# Notes

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