STAFF PAPER

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Project	**Primary Financial Statements**
Paper topic	Management-defined adjusted earnings per share (adjusted EPS)

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Purpose of this paper

1. This Agenda Paper seeks the Board's views on requirements for management-defined adjusted earnings per share ('adjusted EPS') in the financial statements.

2. For the purposes of this paper 'adjusted EPS' is an adjusted basic EPS and the numerator of adjusted EPS is always an 'adjusted' profit or loss attributable to ordinary equity holders of the parent entity (ie a 'bottom line' earnings figure) and thus is a post-tax and non-controlling interests (NCI) measure. Such measures are currently permitted to be disclosed in the notes in accordance with IAS 33 *Earnings per Share*. This paper does not consider:

   (a) other amounts per share that are permitted to be disclosed in accordance with IAS 33, ie where the numerator is not a post-tax and post-NCI 'adjusted' profit or loss attributable to ordinary equity holders of the parent entity, for example adjusted operating profit per share or adjusted profit before tax per share; or

   (b) EPS measures that make changes to the calculation of the denominator in IAS 33 (such measures are currently prohibited by IAS 33).

Summary of staff recommendations in this paper

3. The staff recommend that:

(a) if an entity identifies a management performance measure (MPM), it is required to:

(i) disclose an adjusted EPS that is calculated consistently with that MPM. To calculate the numerator of adjusted EPS an entity shall make only the following adjustments to the MPM (explained in more detail in paragraphs 9-12):

1. add/deduct all income/expenses between:

a. the most directly comparable subtotal/total required by paragraph 81A of IAS 1 under our proposals in Agenda Paper 21A; and

b. profit or loss attributable to ordinary equity holders of the parent entity (ie the numerator of EPS).

2. if the MPM is a pre-tax and/or pre-NCI measure, make further adjustments for tax and/or NCI effects for the differences between the MPM and the most directly comparable subtotal/total required by paragraph 81A of IAS 1.

(ii) disclose the effect of tax and NCI separately for each of the differences between the numerator of adjusted EPS and the numerator of EPS.

If an entity identifies more than one MPM, this requirement would apply to all MPMs.

(b) an entity is prohibited from presenting adjusted EPS in the statement(s) of financial performance.

(c) an entity is prohibited from disclosing any other adjusted EPS.

Overview

4. This paper is structured as follows:

(a) background (paragraphs 5-7)

(b) should we require all entities to provide an adjusted EPS that is consistently calculated with an MPM (paragraphs 8-17)?

(c) what supporting disclosures should we require with adjusted EPS (paragraphs 18-24)?

(d) would we require multiple adjusted EPS if an entity has multiple MPMs (paragraph 25)?

(e) should adjusted EPS be permitted in the statement(s) of financial performance (paragraphs 26-28)?

(f) should we prohibit entities from disclosing other adjusted EPS (paragraphs 29-31)?

(g) appendices:

(i) A—IAS 33 disclosure requirements for amounts per share disclosed in addition to basic and diluted earnings per share

(ii) B—Analysis of entities disclosing adjusted EPS

We have made reference in our analysis in this paper to the sample of entities in paragraph B3 of Appendix B.

Background

5. Users have told us that MPMs can provide useful information about how management views and drives the entity's financial performance, and about the persistence or sustainability of an entity's financial performance (see paragraph 6 of Agenda Paper 21A). For the same reasons, some users find management's adjusted EPS useful for their analysis—for example, because it shows the effect of the adjustments made in calculating the MPM on the entity's basic or diluted EPS figures.

6. However, some users have expressed the following concerns about adjusted EPS:

(a) many entities currently present adjusted EPS outside the financial statements with little or no explanation. Some users would prefer that adjusted EPS is required to be in the financial statements because the measures would be subject to appropriate IFRS requirements/disclosures, and because the financial statements are often audited. Therefore, users would receive more transparent information and greater assurance about the adjustments to EPS. It may also encourage preparers to be more disciplined over the adjustments they make. However, other users expressed concern about giving adjusted EPS (and other 'non-IFRS' information) undue prominence by including these measures in the financial statements.

(b) when entities present both an adjusted EPS and an MPM subtotal in the financial statements, these measures are sometimes not calculated consistently. Such differences have the potential to confuse users. Some users say it is difficult to see whether an entity's MPM and adjusted EPS are calculated consistently.

(c) even when adjusted EPS is disclosed in the financial statements, some users say that IAS 33 does not require sufficient information about the reasons for the adjustments and the effect of tax and NCI for each of those adjustments (see Appendix A for the relevant disclosure requirements in IAS 33).

7. Many users include management's adjusted EPS in their analysis. However, users often want to make further adjustments to make that measure suitable for their analysis and for comparison with other entities. Some users have told us that, to make these further adjustments, they need information about the effect of tax and NCI on each of the adjustments made in determining adjusted EPS. For example, management might exclude both restructuring and share-based payment expenses from adjusted EPS (and its MPM). For the purposes of developing an EPS figure for its analysis, a user might want to keep management's adjustment to exclude restructuring expenses, but add back the share-based payment expenses. If users are given information about the effect of tax and NCI on the share-based payment expenses, then they can adjust management's adjusted EPS in order to calculate their own EPS measure.

Should we require all entities to provide an adjusted EPS that is consistently calculated with an MPM?

8. If an entity identifies an MPM in accordance with the proposals in Agenda Paper 21A, then management's view is that a measure other than a subtotal/total required by paragraph 81A of IAS 1 best communicates to users the financial performance of the entity. In such cases, we think the entity should be required to show how adjustments

made in determining the MPM (ie differences between the MPM and the most directly comparable subtotal/total in paragraph 81A of IAS 1) would flow down to ‘adjusted’ profit or loss attributable to ordinary equity holders of the parent entity and so affect EPS. This information would give users a complete picture of the effect of those adjustments on the ‘bottom line’ earnings figure and provide an adjusted EPS for users’ analysis. Consequently, if an entity identifies an MPM, the staff think it should be required to provide an adjusted EPS that is calculated consistently with the MPM.

What do we mean by an adjusted EPS that is ‘calculated consistently’ with the MPM?

9. The numerator of basic EPS is profit or loss attributable to ordinary equity holders of the parent entity, which is a post-tax and post-NCI measure. Most MPMs are measures determined further up the statement(s) of financial performance than profit or loss attributable to ordinary equity holders of the parent entity, for example adjusted operating profit or adjusted EBIT.[1]

10. In order to calculate the numerator of an adjusted EPS that is calculated consistently with an MPM the staff think at a minimum we would need to:

    (a) add/deduct income/expenses further down the statement(s) of financial performance than the level at which the MPM is determined, ie add/deduct all income/expenses between the most directly comparable subtotal/ total required by paragraph 81A of IAS 1 (ie the subtotal/total used in the MPM reconciliation in Agenda Paper 21A) and profit or loss attributable to ordinary equity holders of the parent entity (ie the numerator of EPS); and

    (b) if the MPM is a pre-tax and/or pre-NCI measure, make further adjustments for tax and/or NCI effects of the differences between the MPM and the most directly comparable subtotal/total required by paragraph 81A of IAS 1.

[1] The MPM could be further down the statement(s) of financial performance than the numerator of adjusted EPS if the MPM is adjusted total comprehensive income. However, in practice we find MPMs are usually adjusted profit measures or measures further up the statement(s) of financial performance, such as adjusted operating profit.

11. Our aim in paragraph 10 is for the differences between the MPM and the most directly comparable subtotal/total required by paragraph 81A of IAS 1 to also be differences between the numerator of adjusted EPS and the numerator of EPS, except:

    (a) the differences between the numerator of adjusted EPS and the numerator of EPS would always be post-tax and post-NCI (ie 'net' differences); and

    (b) the differences between the MPM and the most directly comparable subtotal or total required by paragraph 81A of IAS 1 will often be pre-tax and-pre NCI (ie are often 'gross' differences).

12. To illustrate: assume an entity identifies EBITDA as an MPM. The most directly comparable subtotal/total in paragraph 81A of IAS 1 (under our proposals in paragraph 14 of Agenda Paper 21A) would be profit before financing and tax (or EBIT). Also assume the only differences between EBIT and the entity's EBITDA are depreciation and amortisation expenses (otherwise we would expect the MPM to be labelled as an 'adjusted' EBITDA). In order to determine the numerator of the adjusted EPS that is consistently calculated with EBITDA:

    (a) the entity would add/deduct the following from EBITDA—finance income/expenses, taxation and profit attributable to NCI (ie all income/expenses between EBIT and profit or loss attributable to ordinary equity holders of the parent entity).

    (b) EBIT is a pre-tax and pre-NCI measure, so the entity would make adjustments for the tax and NCI effects of depreciation and amortisation expenses (ie the differences between EBIT and EBITDA).

13. There are also other adjustments that we might want to consider when determining the numerator of adjusted EPS:

    (a) if an entity excludes non-recurring items from the MPM we may want to consider similar adjustments in determining the numerator of adjusted EPS for non-recurring income/expenses further down the statement(s) of financial performance. For example, if the MPM is 'EBIT excluding non-recurring items', we may want to exclude some non-recurring finance expenses from the numerator of adjusted EPS.

(b) if the entity's MPM is measured using constant currencies, we may want to consider similar adjustments for income/expenses further down the statement(s) of financial performance when determining the numerator of adjusted EPS. For example, if the MPM is a constant currency EBIT, we may want to make further adjustments for finance expenses using constant currencies in determining the numerator of adjusted EPS.

(c) any other adjustments to income/expenses further down the statement(s) of financial performance that management considers are consistent with the way the MPM is determined.

14. Advantages of considering the additional adjustments in paragraph 13:

(a) in some circumstances it may provide better information for users. For example, we think users would prefer adjusted EPS to exclude all non-recurring items, rather than only those that are excluded from the MPM; and

(b) if management already communicates adjusted EPS to users, we think it would be common for management to want to make the adjustments in paragraph 13 when determining adjusted EPS if it does so for its MPM. Therefore if we do not include these adjustments, entities may continue to communicate other adjusted EPS outside the financial statements.

(c) if an entity has multiple MPMs it may be able to report a single adjusted EPS that is consistent with all of the MPMs (see paragraphs 25(a)).

15. Disadvantages of considering the additional adjustments in paragraph 13:

(a) the additional adjustments in paragraph 13 would add complexity to the calculation of adjusted EPS; and

(b) it may open up the adjusted EPS calculation to a variety of additional adjustments. Determining whether those adjustments are consistent with the adjustments made to the MPM may be difficult. Even developing guidance on whether adjustments are consistent is likely to be difficult give the wide variety of MPMs that are likely to be disclosed.

Staff recommendation

16. The staff recommend requiring entities to disclose an adjusted EPS that is calculated consistently with the MPM. For simplicity and to avoid the specific difficulties explained in paragraph 15(b), the staff think only the adjustments in paragraph 10 should be made.

17. Given that paragraph 73 of IAS 33 requires both basic and diluted amounts per share to be provided for all amounts per share disclosed in the financial statements (see Appendix A), the staff think entities would be required to disclose both an adjusted basic EPS and an adjusted diluted EPS. The staff have only considered basic EPS in this paper. However, we think our recommendations could be easily adapted to an adjusted diluted EPS.

Question 1

Does the Board agree that if an entity identifies an MPM, it shall disclose an adjusted EPS that is calculated consistently with that MPM?

Does the Board agree that to calculate the numerator of adjusted EPS an entity shall make only the following adjustments to the MPM:

- add/deduct all income/expenses between the most directly comparable subtotal/total required by paragraph 81A of IAS 1 (under our proposals in Agenda Paper 21A) and profit or loss attributable to ordinary equity holders of the parent entity (ie the numerator of EPS); and
- if the MPM is a pre-tax and/or pre-NCI measure, make further adjustments for tax and/or NCI effects of the differences between the MPM and the most directly comparable subtotal/total required by paragraph 81A of IAS 1.

What supporting disclosures should we require with adjusted EPS?

18. Many users include management's adjusted EPS in their analysis. However, users often want to make further adjustments to make it suitable for their analysis and for comparison with other entities. Some users have told us that, to make these further adjustments, they need information about the effect of tax and NCI for the differences between the numerator of adjusted EPS and the numerator of EPS (see paragraph 7).

Aggregated tax and NCI effects

19. The following disclosure shows differences between the MPM and the most directly comparable subtotal/total required by paragraph 81A of IAS 1 (available from the MPM reconciliation) and the aggregated NCI and tax effects of those differences. An entity would need this information to determine an adjusted EPS that is consistently calculated with the MPM. Therefore disclosure of this information would not be an additional burden on top of requiring entities to provide adjusted EPS. However, disclosure of the effect of tax and NCI in aggregate would not help users to make their own adjustments to adjusted EPS (as discussed in paragraph 7):

Adjustments	Amount
Restructuring expenses	(300)
Amortisation of intangibles	(200)
Share-based payment expenses	(450)
Difference between the MPM and the most directly comparable subtotal or total required by paragraph 81A of IAS 1	**(950)**
Tax and NCI effect of all differences	**96**
Differences between the numerator of adjusted EPS and the numerator of EPS	**(854)**

Enhanced disclosure showing separate effect of tax and NCI

20. An alternative to the disclosure in paragraph 19 would be to require the effect of tax and NCI separately for each of the differences between the MPM and the most directly comparable subtotal/total required by paragraph 81A of IAS 1. One way to do this is illustrated below:

Adjustments	Gross	Income tax	NCI	Net
Restructuring expenses	-300	32	0	-268
Amortisation of intangibles	-200	0	10	-190
Share-based payment	-450	45	9	-396
Differences between the MPM and most directly comparable subtotal or total required by paragraph 81A of IAS 1/the numerator of adjusted EPS and the numerator of EPS	**-950**	**77**	**19**	**-854**

An alternative and more detailed illustrative disclosure, which incorporates this disclosure with the MPM reconciliation is shown in appendix D of Agenda Paper 21A.

Comparing the two disclosures

21. The disclosures in paragraph 19 would be easier for entities to provide. However, the following points provide support for disclosing the effect of tax and NCI separately (paragraph 20) rather than providing it in aggregate (paragraph 19):

   (a) we had some feedback from users that this information is important for the reasons given in paragraph 7;

   (b) some entities in our sample already provide information about the effects of tax and NCI separately for each of the differences between the numerator of EPS and the numerator of adjusted EPS, which is likely to indicate that the benefits to users may outweigh the costs of providing the information; and

   (c) there is a similar requirement in paragraph 90 of IAS 1—entities are required to disclose the amount of income tax relating to each item of other comprehensive income.

22. However, it might be difficult and time consuming for some preparers to allocate tax and NCI to each of the differences (although, in many cases, this is unlikely to be a significant additional cost on top of the requirement to determine adjusted EPS and provide the disclosures in paragraph 19).

Feedback at March 2018 CMAC and GPF meetings

23. The staff asked for feedback on our adjusted EPS proposals, and in particular the disclosure of the effect of tax and NCI, at the March 2018 meetings of the Capital Markets Advisory Committee (CMAC) and Global Preparers Forum (GPF):

   (a) those CMAC members that focus on EPS in their analysis were supportive of the proposals, and thought information about the effect of tax and NCI separately for each of the adjustments was important. However, some CMAC members said that they did not use EPS measures in their analysis.

   (b) GPF members had mixed views. Some GPF members said they already provide adjusted EPS and information about the effect of tax and NCI separately for each of the adjustments. In their view, users find this information useful. However, other GPF members said they do not provide adjusted EPS. For example, they only provide an 'adjusted operating profit', but do not provide a post-financing, post-tax and post-NCI version of this measure. They said that providing adjusted EPS and the accompanying disclosures about the tax and NCI effects would require significant effort for them and should be required only if management uses adjusted EPS in its internal reporting.

Staff recommendation

24. For the reasons given in paragraph 7, the staff think a requirement to provide adjusted EPS might have limited benefits for users unless it is accompanied by disclosure of the effect of tax and NCI separately for each of the adjustments. Therefore, we suggest requiring disclosure of the effect of tax and NCI separately for each of the differences between the numerator of adjusted EPS and the numerator of EPS (note, if the Board agrees with the staff recommendation in Question 1, this is the same as requiring disclosure of the effect of tax and NCI separately for each of the differences between the MPM and the most directly comparable subtotal/total required by paragraph 81A of IAS 1).

Question 2

Does the Board agree an entity shall disclose the effect of tax and NCI separately for each of the differences between the numerator of adjusted EPS and the numerator of EPS?

Would we require multiple adjusted EPS if an entity has multiple MPMs?

25. If an entity discloses more than one MPM, the staff think it would be required to disclose more than one adjusted EPS under our proposals. Nevertheless, the staff think we could consider two alternatives to avoid the need for entities to disclose multiple adjusted EPS in some cases:

(a) the staff expect that if an entity has more than one MPM, the adjustments made in determining the MPMs would often be identical, except additional adjustments might be made to one of the MPMs because the MPM is determined further down the statement(s) of financial performance than the other. For example, an entity might disclose both an adjusted EBIT MPM and adjusted profit before tax MPM where adjustments are identical except adjusted profit makes additional adjustments for non-recurring financing items. The staff think in this case we could consider allowing the entity to provide an adjusted EPS and related disclosures for adjusted profit MPM only, since this would also provide sufficient information for users about the adjusted operating profit MPM. It would also enable the entity to provide the MPMs and the adjusted EPS in a single reconciliation.

(b) we could require disclosure only of the effect of tax and NCI for the differences between the MPM and the most directly comparable subtotal/total required by paragraph 81A of IAS 1. This would provide relief from the full adjusted EPS calculation and still help users to make their own adjustments to EPS. Furthermore, it might be slightly less burdensome for preparers and avoid the possible confusion for users of multiple adjusted EPS measures.

Question 3

Does the Board agree if an entity has more than one MPM, the requirements for adjusted EPS would apply to all MPMs?

Does the Board think we should explore either of the alternatives in paragraph 25 (a) or (b) to provide relief from having multiple adjusted EPS in some cases?

Should adjusted EPS be permitted in the statement(s) of financial performance?

Background

26. IAS 33 requires an entity to present basic and diluted EPS in the statement(s) of financial performance but requires any additional amounts per share, for example an adjusted EPS, to be disclosed in the notes. We think the Board should consider if there are any circumstances when an adjusted EPS should be presented in the statement(s) of financial performance.

Staff analysis and recommendation

27. At previous meetings we have discussed the advantages and disadvantages of presenting MPMs and adjusted EPS in the primary financial statements (for example

see paragraphs 17-18 of January 2018 Agenda Paper 21A). The main advantages and disadvantages are summarised below:

(a) Advantages:

(i) measures would be reported prominently by preparers, may be more easily located by users (in the absence of structured electronic reporting), and may be more likely to be considered by users;

(ii) information in the primary financial statements is more often included in information collected by data aggregators; and

(iii) regulators may require more detailed tagging of information in the primary financial statements than of information in the notes for structured electronic reporting.

(b) Disadvantages:

(i) some Board members have concerns about giving undue prominence to management-defined measures that are not subject to any constraints;

(ii) presentation of an adjusted EPS in the statement(s) of financial performance might be seen as a significant change and thus meet resistance; and

(iii) there would be less room for explanation and the supporting disclosures would be provided separately in the notes.

28. The staff think that the only circumstance in which we might want to consider including an adjusted EPS in the statement(s) of financial performance is when it is consistently calculated with an MPM subtotal presented in the statement(s) of financial performance. Otherwise we think it could potentially confuse users of financial statements, because it would be unclear how it has been calculated. Nevertheless, in light of Board members' concerns about 'elevating' MPMs and the need to make our primary focus the separate reconciliation (paragraphs 10(b)-(c) of Agenda Paper 21A) the staff do not think the Board should consider this circumstance. We think adjusted EPS should be disclosed only in the notes, together with the MPM reconciliation and supporting disclosures.

Question 4

Does the Board agree to prohibit entities from presenting adjusted EPS in the statement(s) of financial performance?

Should we prohibit entities from disclosing other adjusted EPS?

Background

29. In many cases, entities calculate their adjusted EPS consistently with their main performance measures (ie those measures that would be identified as MPMs under our proposals). However, our research showed that sometimes they do not. For example, three entities in our sample included amortisation of intangible assets in their operating profit subtotal, but excluded amortisation of intangible assets from their adjusted EPS. Such differences have the potential to confuse or mislead users. Therefore, we think the Board should consider whether to prohibit the disclosure of other adjusted EPS in the financial statements (ie prohibit adjusted EPS that are not calculated consistently with the MPM).

Staff analysis and recommendation

30. The staff think that if an adjusted EPS is calculated on a different basis from the MPM this might be confusing for users. Nevertheless, if we prohibit entities from providing other adjusted EPS this has the following disadvantages:

    (a) entities may continue to communicate other adjusted EPS outside the financial statements; and

    (b) an entity might consider an adjusted EPS to be a measure that, in the view of management, best communicate(s) to users the financial performance of the entity. If we prohibit disclosure of such a measure, useful information may be lost from the financial statements.

31. The staff have some sympathy for considering the scenario in paragraph 30(b). In particular, an entity might communicate (outside the financial statements) an adjusted EPS figure that is different from an MPM because it incorporates the adjustments discussed in paragraph 13. Nevertheless, the staff think that if management considers

adjusted EPS a measure of performance that best communicates to users the financial performance of the entity, then the entity should identify the numerator of adjusted EPS as an MPM. Therefore, the entity would provide the disclosure requirements for this MPM measure, including the adjusted EPS disclosures.

Question 5

Does the Board agree we should prohibit entities from disclosing other adjusted EPS?

Appendix A—IAS 33 disclosure requirements for amounts per share disclosed in addition to basic and diluted earnings per share

A1. IAS 33 requires entities to present both basic and diluted EPS in the statement(s) of financial performance. Both basic and diluted EPS use profit or loss attributable to ordinary equity holders of the parent entity (the numerator) and the weighted average number of ordinary shares outstanding (the denominator) during the period. However, diluted EPS adjusts these amounts for the effects of all dilutive potential ordinary shares. In addition to basic and diluted EPS, paragraph 73 of IAS 33 allows an entity to disclose amounts per share using numerators other than those required by IAS 33.

A2. Paragraph 73 of IAS 33 requires that if an entity discloses, in addition to basic and diluted EPS, amounts per share using a reported component of the statement(s) of financial performance other than one required by IAS 33:

(a) such amounts shall be calculated using the weighted average number of ordinary shares determined in accordance with IAS 33;

(b) basic and diluted amounts per share relating to such a component shall be disclosed with equal prominence and disclosed in the notes;

(c) an entity shall indicate the basis on which the numerator is determined, including whether amounts per share are before tax or after tax; and

(d) if a component of the statement(s) of financial performance is used that is not reported as a line item in the statement(s) of financial performance, a reconciliation shall be provided between the component used and a line item reported in the statement(s) of financial performance.

A3. The requirements in paragraph A2 also apply if the entity discloses, in addition to basic and diluted EPS, amounts per share using a reported item of profit or loss, other than one required by IAS 33.

Appendix B—Analysis of entities disclosing adjusted EPS

B1. Based on our research we have found that many entities communicate an adjusted EPS (an adjusted basic EPS and/or adjusted diluted EPS) in the financial statements and/or outside the financial statements that excludes some items (for example, non-recurring items) from the numerators of basic EPS and/or diluted EPS as follows:

$$\boxed{Adjusted\ basic\ EPS = \frac{\text{Profit attributable to ordinary equity holders of the parent} - items\ excluded}{\text{Weighted average number of ordinary shares outstanding}}}$$

B2. We have found that management often uses adjusted EPS to compare the entity's performance with management's objectives, between reporting periods and with other entities. Many users rely on adjusted EPS as a starting point for their own analysis, but users often further adjust management's adjusted EPS to make it suitable for their analysis or to compare it with other entities.

B3. We analysed ten entities that presented adjusted EPS in their IFRS financial statements. The following is a summary of the analysis in Appendix A of June 2017 Agenda Paper 21D. Generally, we found:

(a) entities labelled adjusted EPS differently, for example as adjusted EPS, underlying EPS, core EPS, headline EPS, sustainable EPS or EPS before non-recurring items.

(b) most sample entities did not specifically state why they present adjusted EPS. Some entities included a generic objective such as to present the entity's financial performance or underlying performance.

(c) all sample entities calculated adjusted EPS based on their 'adjusted profit', ie entities exclude some items, such as non-recurring items, from the numerators of basic EPS and/or diluted EPS to calculate adjusted basic EPS and/or adjusted diluted EPS (see paragraph B1). No sample entities presented amounts per share on the basis of other line-items, subtotals or totals in the statement(s) of financial performance, such as operating profit per share or comprehensive income per share.

(d) most sample entities did not explicitly state the entity's policy for calculating adjusted EPS; instead they merely listed items excluded.

(e) all ten entities in the sample presented both adjusted EPS and also an operating /adjusted operating profit subtotal in the financial statements (likely to be an MPM under our proposals). In some cases, the entity excluded different amounts from operating /adjusted operating profit and adjusted EPS. For example, three entities included amortisation of intangible assets when they calculated operating /adjusted operating profit but excluded the amortisation of intangible assets when they calculated adjusted EPS.

(f) in some cases, entities provided information about the effects of tax and NCI separately for each adjustment. This enables users to make their own adjustments to adjusted EPS. However, other entities presented the effects of tax and NCI on an aggregated basis for the items excluded.

(g) six entities' adjusted basic EPS exceeded basic EPS— the average difference was 32 per cent. Four entities' basic EPS exceeded adjusted basic EPS and their average difference was 5 per cent.

B2. The US Securities and Exchange Commission (SEC) staff have analysed IFRS financial statements of 183 companies and found diversity in practice in presentation of adjusted EPS.[2] In particular the SEC found that, in most cases, it was not clear how entities had calculated adjusted EPS or, if the entity defined the measure, the SEC staff could not easily recalculate the adjusted EPS from the information provided.

[2] Securities and Exchange Commission (SEC). 2011. Work plan for the consideration of incorporating IFRS into the financial reporting system for US issuers: An Analysis of IFRS in Practice, page 22. Washington D.C.