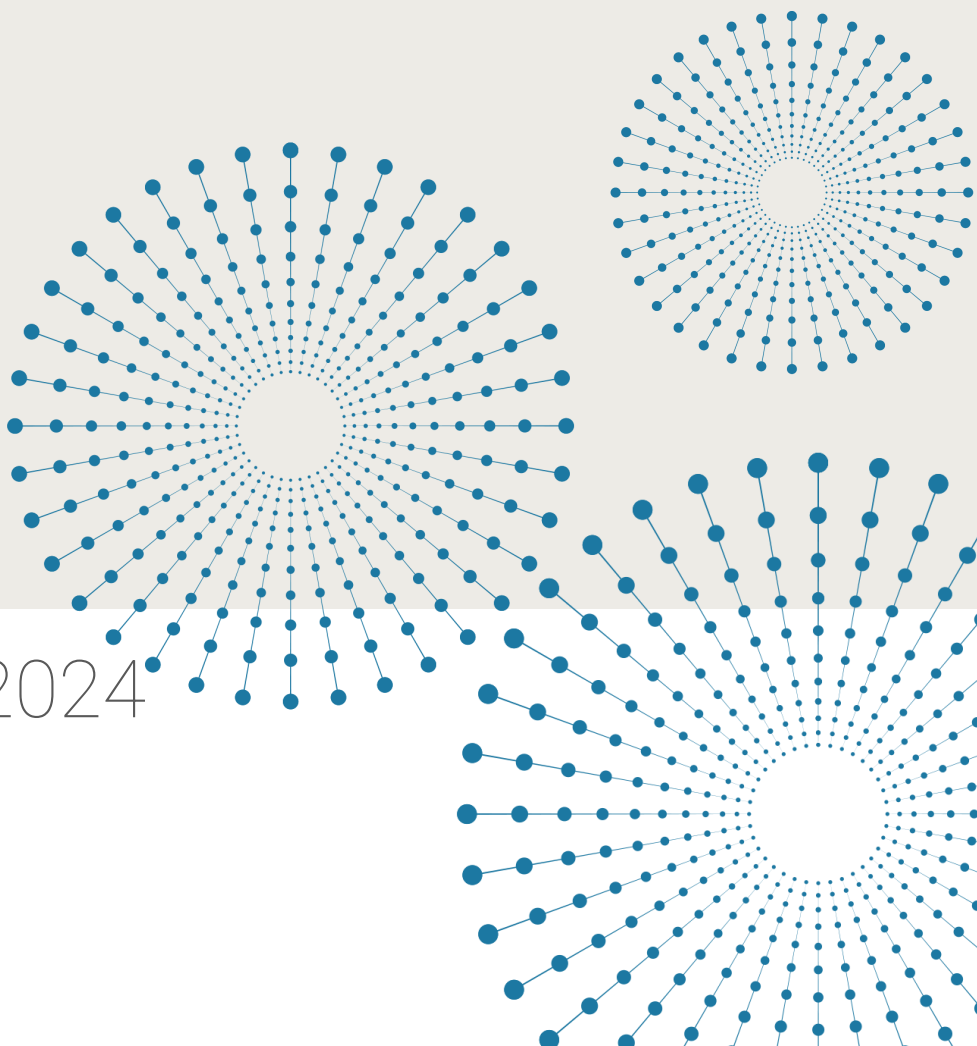


Annual Improvements to NZ IFRS 2024

Issued August 2024





Annual Improvements to NZ IFRS 2024

Issued August 2024

This Tier 1 and Tier 2 for-profit amending Standard is based on *Annual Improvements to IFRS Accounting Standards – Volume 11*, issued by the International Accounting Standards Board, which amended IFRS 1 *First-Time Adoption of International Financial Reporting Standards*, IFRS 7 *Financial Instruments: Disclosures*, IFRS 9 *Financial Instruments*, IFRS 10 *Consolidated Financial Statements* and IAS 7 *Statement of Cash Flows*. Annual improvements are limited to changes that clarify the wording in an Accounting Standard and correct relatively minor unintended consequences, oversights or conflicts between the requirements of the Accounting Standards.

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 amending Standard was issued on 22 August 2024 by the New Zealand Accounting Standards Board of the External Reporting Board pursuant to section 12(a) of the Financial Reporting Act 2013.

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

The 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 22 August 2024 and takes effect on 19 September 2024.

Commencement and application

The amending Standard has a mandatory date of 1 January 2026, meaning it must be applied by Tier 1 and 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 39AK – NZ39AK.3 of amendments to NZ IFRS 1 *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards*;
- Paragraphs 44NN – NZ44NN.3 of amendments to NZ IFRS 7 *Financial Instruments: Disclosures*;
- Paragraphs 7.1.14 – NZ7.1.14.3 of amendments to NZ IFRS 9 *Financial Instruments*;
- Paragraphs C1E – NZC1E.3 of amendments to NZ IFRS 10 *Consolidated Financial Statements*; and
- Paragraphs 65 – NZ65.3 of amendments to NZ IAS 7 *Statement of Cash Flows*.

ANNUAL IMPROVEMENTS TO NZ IFRS 2024

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ANNUAL IMPROVEMENTS TO NZ IFRS 2024

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ANNUAL IMPROVEMENTS TO NZ IFRS 2024

CONTENTS

	<i>from page</i>
PART A: INTRODUCTION	5
PART B: SCOPE	5
PART C: AMENDMENTS TO NZ IFRS 1 <i>FIRST-TIME ADOPTION OF NEW ZEALAND EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS</i>	5
• COMMENCEMENT AND APPLICATION	
• APPENDIX B	
PART D: AMENDMENTS TO NZ IFRS 7 <i>FINANCIAL INSTRUMENTS: DISCLOSURES</i>	7
• COMMENCEMENT AND APPLICATION	
• APPENDIX B	
PART E: AMENDMENTS TO NZ IFRS 9 <i>FINANCIAL INSTRUMENTS</i>	9
• CHAPTER 2 SCOPE	
• CHAPTER 5 MEASUREMENT	
• CHAPTER 7 COMMENCEMENT, APPLICATION AND TRANSITION	
• APPENDIX A	
PART F: AMENDMENTS TO NZ IFRS 10 <i>CONSOLIDATED FINANCIAL STATEMENTS</i>	12
• APPENDIX B APPLICATION GUIDANCE	
• APPENDIX C COMMENCEMENT, APPLICATION AND TRANSITION	
PART G: AMENDMENTS TO NZ IAS 7 <i>STATEMENT OF CASH FLOWS</i>	14
• INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES	
• COMMENCEMENT AND APPLICATION	

The following is available within New Zealand on the XRB website as additional material

APPROVAL BY THE IASB OF *ANNUAL IMPROVEMENTS TO IFRS ACCOUNTING STANDARDS – VOLUME 11* ISSUED IN JULY 2024

AMENDMENTS TO *GUIDANCE ON IMPLEMENTING IFRS 7 FINANCIAL INSTRUMENTS: DISCLOSURES*

AMENDMENTS TO THE BASIS FOR CONCLUSIONS ON IFRS 1 *FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS*

AMENDMENTS TO THE BASIS FOR CONCLUSIONS ON IFRS 7 *FINANCIAL INSTRUMENTS: DISCLOSURES*

AMENDMENTS TO THE BASIS FOR CONCLUSIONS ON IFRS 9 *FINANCIAL INSTRUMENTS*

AMENDMENTS TO THE BASIS FOR CONCLUSIONS ON IFRS 10 *CONSOLIDATED FINANCIAL STATEMENTS*

AMENDMENTS TO THE BASIS FOR CONCLUSIONS ON IAS 7 *STATEMENT OF CASH FLOWS*

ANNUAL IMPROVEMENTS TO NZ IFRS 2024

Part A – Introduction

This amending Standard sets out amendments to NZ IFRS as a consequence of *Annual Improvements to IFRS Accounting Standards – Volume 11*.

The following table shows the standards amended and the subject of the amendments.

Accounting Standard	Subject of the amendments
NZ IFRS 1 <i>First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards</i> ;	Hedge accounting by a first-time adopter
NZ IFRS 7 <i>Financial Instruments: Disclosures</i> ;	Gain or loss on derecognition
NZ IFRS 9 <i>Financial Instruments</i> ;	Derecognition of lease liabilities
	Transaction price
NZ IFRS 10 <i>Consolidated Financial Statements</i>	Determination of a ‘de facto agent’
NZ IAS 7 <i>Statement of Cash Flows</i> .	Cost method

Part B – Scope

This Standard applies to Tier 1 and Tier 2 for-profit entities.

Tier 2 entities are required to comply with all the requirements in this Standard, except for paragraphs in this Standard denoted with an asterisk (*).

Part C – Amendments to NZ IFRS 1 First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards

Paragraphs 39AK and paragraphs NZ39AK.1–NZ39AK.3 and related headings are added. For ease of reading, those paragraphs have not been underlined.

Commencement and application

...

Annual Improvements to NZ IFRS 2024

39AK The amending Standard *Annual Improvements to NZ IFRS 2024*, published in August 2024, amended paragraphs B5–B6. An entity shall apply those amendments in accordance with the commencement and application date provisions in paragraphs NZ39AK.1–NZ39AK.3. An entity that applies those amendments to an ‘early adoption accounting period’ shall disclose that fact.

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

NZ39AK.1 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 22 August 2024 and takes effect on 19 September 2024

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

NZ39AK.2 The accounting periods in relation to which this amending Standard commences to apply are:

- for an **early adopter**, those accounting periods following and including, the **early adoption accounting period**.
- 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**.

ANNUAL IMPROVEMENTS TO NZ IFRS 2024

NZ39AK.3 In paragraph NZ39AK.2:

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 2026.

Appendix B Exceptions to the retrospective application of other NZ IFRSs

Paragraphs B5–B6 are amended. New text is underlined and deleted text is struck through.

Hedge accounting

...

- B5 An entity shall not reflect in its opening NZ IFRS statement of financial position a hedging relationship of a type that does not qualify for hedge accounting in accordance with NZ IFRS 9 (for example, many hedging relationships where the hedging instrument is a stand-alone written option or a net written option; or where the hedged item is a net position in a cash flow hedge for another risk than foreign currency risk) (see paragraph 6.4.1(a) of NZ IFRS 9). However, if an entity designated a net position as a hedged item in accordance with previous GAAP, it may designate as a hedged item in accordance with NZ IFRS an individual item within that net position, or a net position if that meets the requirements in paragraph 6.6.1 of NZ IFRS 9, provided that it does so no later than the date of transition to NZ IFRS.
- B6 If, before the date of transition to NZ IFRS, an entity had designated a transaction as a hedge but the hedge does not meet the ~~qualifying criteria~~conditions for hedge accounting in paragraph 6.4.1(b)–(c) of NZ IFRS 9, the entity shall apply paragraphs 6.5.6 and 6.5.7 of NZ IFRS 9 to discontinue hedge accounting. Transactions entered into before the date of transition to NZ IFRS shall not be retrospectively designated as hedges.

Part D – Amendments to NZ IFRS 7 *Financial Instruments: Disclosures*

Paragraphs 44NN and paragraphs NZ44NN.1–NZ44NN.3 and related headings are added. For ease of reading, those paragraphs have not been underlined.

Commencement and application

...

Annual Improvements to NZ IFRS 2024

44NN The amending Standard *Annual Improvements to NZ IFRS 2024*, published in August 2024, amended paragraph B38. An entity shall apply those amendments in accordance with the commencement and application date provisions in paragraphs NZ44NN.1–NZ44NN.3. An entity that applies those amendments to an ‘early adoption accounting period’ shall disclose that fact.

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

NZ44NN.1 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 22 August 2024 and takes effect on 19 September 2024

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

NZ44NN.2 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**.

NZ44NN.3 In paragraph NZ44NN.2:

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:
 - (iii) first applies this amending Standard in preparing its financial statements; and
 - (iv) discloses in its financial statements for that accounting period that this amending Standard has been applied for that period.

mandatory date means 1 January 2026.

Appendix B Application guidance

Paragraph B38 is amended. New text is underlined and deleted text is struck through.

Derecognition (paragraphs 42C–42H)

...

Gain or loss on derecognition (paragraph 42G(a))

- *B38 Paragraph 42G(a) requires an entity to disclose the gain or loss on derecognition relating to financial assets in which the entity has continuing involvement. The entity shall disclose if a gain or loss on derecognition arose because the fair values of the components of the previously recognised asset (ie the interest in the asset derecognised and the interest retained by the entity) were different from the fair value of the previously recognised asset as a whole. In that situation, the entity shall also disclose whether the fair value measurements included significant unobservable inputs ~~that were not based on observable market data~~, as described in paragraphs 72–73 of NZ IFRS 13 ~~paragraph 27A~~.

Part E – Amendments to NZ IFRS 9 *Financial Instruments*

Chapter 2 Scope

Paragraph 2.1(b)(ii) is amended. Paragraph 2.1(b)(i) is not amended but is included for ease of reference. New text is underlined and deleted text is struck through.

...

- 2.1 This Standard shall be applied by all entities to all types of financial instruments except:**
- (a) ...
 - (b) **rights and obligations under leases to which NZ IFRS 16 *Leases* applies. However:**
 - (i) **finance lease receivables (ie net investments in finance leases) and operating lease receivables recognised by a lessor are subject to the derecognition and impairment requirements of this Standard;**
 - (ii) **lease liabilities recognised by a lessee are subject to the derecognition requirements in paragraphs paragraph-3.3.1 and 3.3.3 of this Standard; and**
 - (iii) ...

Chapter 5 Measurement

Paragraph 5.1.3 is amended. Paragraphs 5.1.1–5.1.2 are not amended but are included for ease of reference. New text is underlined and deleted text is struck through.

5.1 Initial measurement

- 5.1.1 Except for trade receivables within the scope of paragraph 5.1.3, at initial recognition, an entity shall measure a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, *transaction costs* that are directly attributable to the acquisition or issue of the financial asset or financial liability.**
- 5.1.1A However, if the fair value of the financial asset or financial liability at initial recognition differs from the *transaction price*, an entity shall apply paragraph B5.1.2A.**
- 5.1.2 When an entity uses settlement date accounting for an asset that is subsequently measured at amortised cost, the asset is recognised initially at its fair value on the trade date (see paragraphs B3.1.3–B3.1.6).
- 5.1.3 Despite the requirement in paragraph 5.1.1, at initial recognition, an entity shall measure trade receivables at the amount determined by applying their transaction price (as defined in NZ IFRS 15) if the trade receivables do not contain a significant financing component in accordance with NZ IFRS 15 (or when the entity applies the practical expedient in accordance with paragraph 63 of NZ IFRS 15).

Paragraph 7.1.14, paragraphs NZ7.1.14.1–NZ7.1.14.3, paragraph 7.2.50 and related headings are added. Deleted text is struck through and new text is underlined. For ease of reading, paragraphs 7.1.14 to NZ7.1.14.3 and paragraph 7.2.50 have not been underlined.

Chapter 7 ~~Effective date~~ Commencement, application and transition

7.1 Effective date Commencement and application

...

Annual Improvements to NZ IFRS 2024

7.1.14 The amending Standard *Annual Improvements to NZ IFRS 2024*, published in August 2024, amended 2.1(b)(ii) and 5.1.3 and Appendix A. An entity shall apply those amendments in accordance with the commencement and application date provisions in paragraphs NZ7.1.14.1–NZ7.1.14.3. An entity that applies those amendments to an ‘early adoption accounting period’ shall disclose that fact.

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

NZ7.1.14.1 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 22 August 2024 and takes effect on 19 September 2024

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

NZ7.1.14.2 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**.

NZ7.1.14.3 In paragraph NZ7.1.14.2:

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 2026.

7.2 Transition

...

Transition for *Annual Improvements to NZ IFRS 2024*

7.2.50 An entity shall apply the amendment to paragraph 2.1(b)(ii) made by *Annual Improvements to NZ IFRS 2024* to lease liabilities that are extinguished on or after the beginning of the annual reporting period in which the entity first applies that amendment.

Appendix A Defined terms

The last paragraph of Appendix A is amended. New text is underlined and deleted text is struck through. Footnotes to the text are not reproduced.

...

The following terms are defined in paragraph 11 of NZ IAS 32, Appendix A of NZ IFRS 7, or Appendix A of NZ IFRS 13 ~~or Appendix A of NZ IFRS 15~~ and are used in this Standard with the meanings specified in NZ IAS 32, NZ IFRS 7, or NZ IFRS 13 ~~or NZ IFRS 15~~:

- (a) credit risk;
- (b) equity instrument;
- (c) fair value;
- (d) financial asset;
- (e) financial instrument;
- (f) financial liability;
- ~~(g) transaction price.~~

Part F – Amendments to NZ IFRS 10 *Consolidated Financial Statements*

Appendix B Application guidance

Paragraph B74 is amended. Paragraphs B73 and B75 are not amended but are included for ease of reference. New text is underlined and deleted text is struck through.

Relationship with other parties

- B73 When assessing control, an investor shall consider the nature of its relationship with other parties and whether those other parties are acting on the investor’s behalf (ie they are ‘de facto agents’). The determination of whether other parties are acting as de facto agents requires judgement, considering not only the nature of the relationship but also how those parties interact with each other and the investor.
- B74 Such a relationship need not involve a contractual arrangement. A party is a de facto agent when the investor has, ~~or those that direct the activities of the investor have~~, the ability to direct that party to act on the investor’s behalf. A party might also be a de facto agent when those that direct the activities of the investor have the ability to direct that party to act on the investor’s behalf. ~~The In these circumstances, the~~ investor shall consider its de facto agent’s decision-making rights and its indirect exposure, or rights, to variable returns through the de facto agent together with its own when assessing control of an investee.
- B75 The following are examples of such other parties that, by the nature of their relationship, might act as de facto agents for the investor:
- (a) the investor’s related parties.
 - (b) a party that received its interest in the investee as a contribution or loan from the investor.
 - (c) a party that has agreed not to sell, transfer or encumber its interests in the investee without the investor’s prior approval (except for situations in which the investor and the other party have the right of prior approval and the rights are based on mutually agreed terms by willing independent parties).
 - (d) a party that cannot finance its operations without subordinated financial support from the investor.
 - (e) an investee for which the majority of the members of its governing body or for which its key management personnel are the same as those of the investor.
 - (f) a party that has a close business relationship with the investor, such as the relationship between a professional service provider and one of its significant clients.

Paragraph C1E, paragraphs NZC1E.1–NZ C1E.3 and related headings are added. Deleted text is struck through and new text is underlined. For ease of reading, paragraphs C1E to NZ C1E.3 have not been underlined.

Appendix C ~~Effective date~~ Commencement, application and transition

...

~~Effective date~~ Commencement and application

...

Annual Improvements to NZ IFRS 2024

- C1E The amending Standard *Annual Improvements to NZ IFRS 2024*, published in August 2024, amended paragraph B74. An entity shall apply those amendments in accordance with the commencement and

ANNUAL IMPROVEMENTS TO NZ IFRS 2024

application date provisions in paragraphs NZC1E.1–NZC1E.3. An entity that applies those amendments to an ‘early adoption accounting period’ shall disclose that fact.

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

NZC1E.1 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 22 August 2024 and takes effect on 19 September 2024

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

NZC1E.2 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**.

NZC1E.3 In paragraph NZC1E.2:

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 2026.

Part G – Amendments to NZ IAS 7 *Statement of Cash Flows*

Paragraphs 37 is amended. New text is underlined and deleted text is struck through.

Investments in subsidiaries, associates and joint ventures

- 37 When accounting for an investment in an associate, a joint venture or a subsidiary accounted for by use of the equity method or ~~at cost method~~, an investor restricts its reporting in the statement of cash flows to the cash flows between itself and the investee, for example, to dividends and advances.

Paragraphs 65 and paragraphs NZ65.1–NZ65.3 and related headings are added. For ease of reading, those paragraphs have not been underlined.

Commencement and application

...

Annual Improvements to NZ IFRS 2024

- 65 The amending Standard *Annual Improvements to NZ IFRS 2024*, published in August 2024, amended paragraph 37. An entity shall apply those amendments in accordance with the commencement and application date provisions in paragraphs NZ65.1–NZ65.3. An entity that applies those amendments to an ‘early adoption accounting period’ shall disclose that fact.

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

- NZ65.1 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 22 August 2024 and takes effect on 19 September 2024

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

- NZ65.2 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**.

- NZ65.3 In paragraph NZ65.2:

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 2026.