

IFRS 18 Management-defined Performance Measures

Impact on the EPRA Best Practices Recommendations

IFRS 18 introduces management-defined performance measures (MPMs) – performance measures disclosed in an audited note to the financial statements. This briefing assesses the impact of MPMs on the EPRA Best Practices Recommendations (BPRs).

The headline conclusion: **only EPRA Earnings is likely to qualify.**

What is an MPM?

IFRS 18 *Presentation and Disclosure in Financial Statements* replaces IAS 1 and is effective for annual reporting periods beginning on or after 1 January 2027, with early application permitted (IFRS 18.C1). It defines a management-defined performance measure as a **subtotal of income and expenses** (IFRS 18.117) that meets three criteria:

- (i) it is used in public communications outside the financial statements – e.g., investor presentations, press releases, results announcements or narrative reporting (IFRS 18.117(a), B118);
- (ii) it communicates management's view of an aspect of the financial performance of the entity as a whole (IFRS 18.117(b)); and
- (iii) it is not a subtotal listed in IFRS 18 or specifically required by IFRS Accounting Standards, such as operating profit or profit before income tax (IFRS 18.117(c), 118).

What must be disclosed?

For each MPM, IFRS 18 requires disclosure in a **single note** to the financial statements (IFRS 18.122) – and therefore within the scope of audit – of:

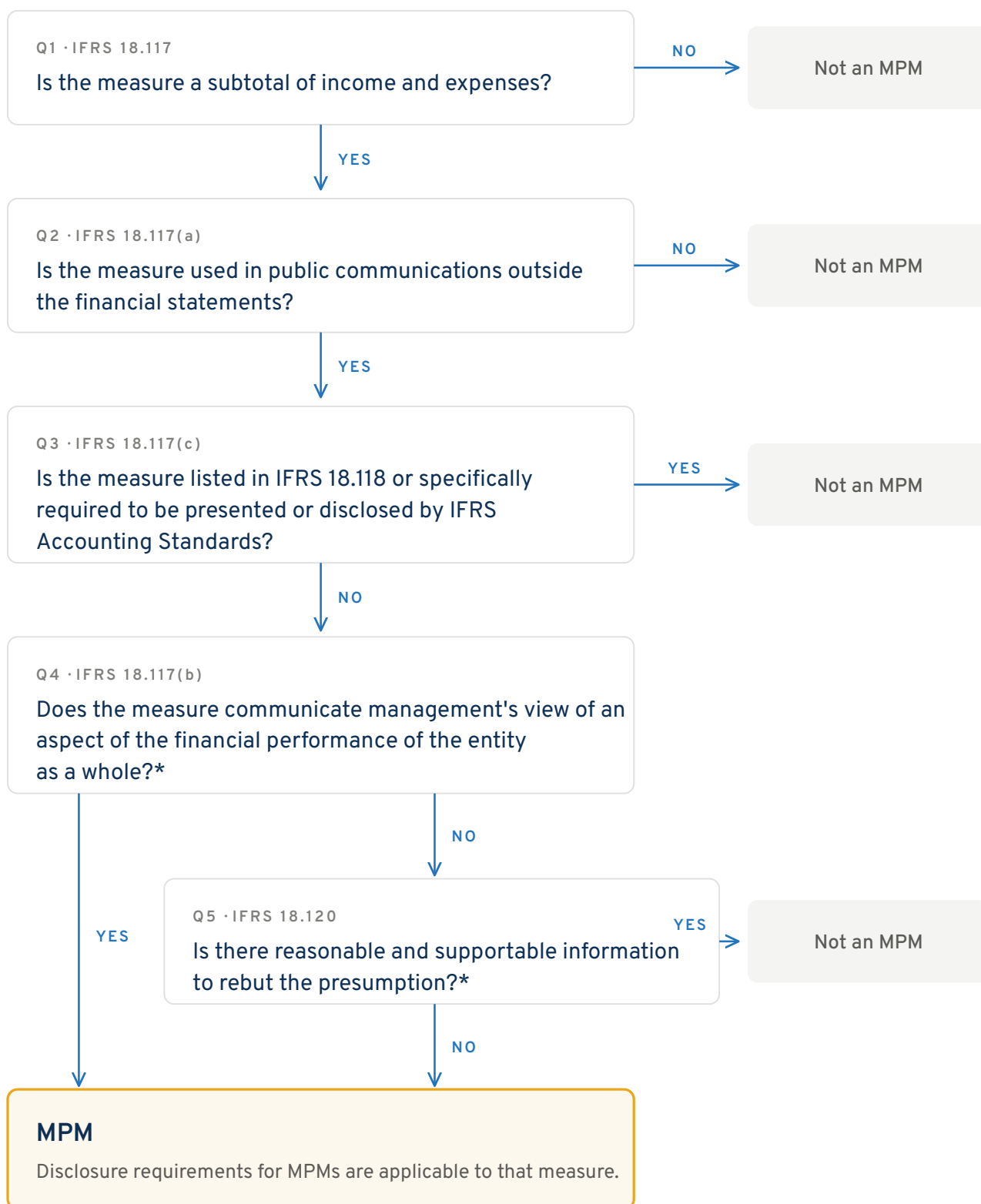
- (a) the aspect of performance the measure communicates, and why management considers it provides useful information (IFRS 18.123(a));
- (b) how the measure is calculated (IFRS 18.123(b));
- (c) a reconciliation to the most directly comparable subtotal or total defined by IFRS, identifying for each reconciling item the line item(s) in the statement of profit or loss in which it is included, and describing how it is calculated and why it provides useful information (IFRS 18.123(c), B137); and
- (d) the income tax effect and the effect on non-controlling interests for each item in the reconciliation (IFRS 18.123(d), B141).

The note must also state that MPMs communicate management's view and are not necessarily comparable with similarly labelled measures reported by other entities (IFRS 18.122). Additional disclosures apply where an entity changes how an MPM is calculated, adds a new MPM or ceases to use a previously disclosed MPM. (IFRS 18.124–125).



The step change. Adjusted performance measures currently sit in unaudited narrative reporting, governed by the [ESMA Guidelines](#) on Alternative Performance Measures. Under IFRS 18, MPM disclosures move inside the financial statements – into a single note, subject to audit (IFRS 18.122).

Identifying MPMs.



* A subtotal used in public communications outside the financial statements is presumed to communicate management's view of an aspect of the financial performance of the entity as a whole; that presumption can be rebutted only with reasonable and supportable information (IFRS 18.119–120).

Applicability to the EPRA BPRs.

Most of the EPRA Best Practices Recommendations fall outside the MPM definition. They are balance-sheet measures, ratios or percentages, cash-based figures or analyses of capital expenditure – none of which is a subtotal of income and expenses (IFRS 18.117, B116). The exception is EPRA Earnings, which is derived by adjusting the IFRS Net Income. Even then, EPRA Earnings is an MPM only where it is used in public communications outside the financial statements.

EPRA BPR	MPM?	WHY ¹
EPRA Earnings ²	Most likely	A subtotal of income and expenses, derived by adjusting the IFRS Net Income subtotal. Where it is used in public communications outside the financial statements, it will generally meet the MPM definition. (IFRS 18.117)
EPRA NAV metrics (NRV / NTA / NDV)	No	Balance-sheet measures of net asset value – not subtotals of income and expenses. (IFRS 18.B116(b))
EPRA Net Initial Yield	No	The numerator is annualised rental income based on cash rents passing at the balance sheet date – a cash figure, not an income figure. Measures of cash flows are not subtotals of income and expenses, so the measure does not meet the MPM definition. (IFRS 18.B116(d))
EPRA Vacancy Rate	No	A balance-sheet-date measure, not a subtotal of income and expenses.
EPRA Cost Ratios	Likely not	The numerator is predominantly a subtotal of expenses only, so it is considered unlikely to meet the MPM definition, which requires a subtotal of income and expenses – though this is less clear-cut where some income is included (e.g. service charge income). Other criteria, such as use in public communications, would also need to be met. (IFRS 18.B116(a))
EPRA LTV	No	A balance-sheet measure of leverage – not a subtotal of income and expenses. (IFRS 18.B116(b))
EPRA Like-for-like rental growth	No	A percentage movement based on rental income – not a subtotal of income and expenses. (IFRS 18.B116(c))
EPRA Capital Expenditure	No	An analysis of capital expenditure; none of its components is a subtotal of income and expenses. (IFRS 18.117)

¹ Under IFRS 18.B117, a financial ratio is not itself a subtotal of income and expenses and so is not an MPM; however, a numerator or denominator that would meet the definition of an MPM on a standalone basis is an MPM and is subject to the MPM disclosure requirements. The analysis of each EPRA ratio in the table above therefore considers whether its income-and-expense component would independently meet that definition.

² EPRA EPS is a ratio and not itself an MPM. However, its numerator is assessed on a standalone basis, so use of EPRA EPS in public communications may bring EPRA Earnings within the MPM disclosure requirements (IFRS 18.B117).

What does it mean for companies reporting EPRA BPRs?

If you report EPRA Earnings in public communications

- Prepare the single MPM note covering the required elements mentioned above (IFRS 18.122–123).
- Ensure the published calculation is consistent with the EPRA BPR Guidelines.
- Expect the adjustments, data sources, and tax & NCI effects to be subject to audit.

For all other BPRs

- They would generally fall outside the scope of the MPM disclosure requirements.
- The BPRs remain best practice and continue to be reported as today – under the ESMA APM Guidelines where applicable.
- IFRS 18 does not restrict or prohibit their use.

What the single note could look like.

Where EPRA Earnings meets the MPM definition, IFRS 18 requires a single note containing the elements set out on page 1 (IFRS 18.122–123). The example below illustrates one possible presentation; further requirements are summarised below the table. Every figure is fictitious.

(A) PURPOSE OF THE MEASURE · IFRS 18.123(a)

EPRA Earnings communicates the underlying recurring operating performance of the property portfolio, excluding the fair value movements, disposal results and one-off items that do not reflect that recurring performance. In management's view, it provides useful information about the aspect of performance most relevant to an assessment of the operating result of the business.

(B) CALCULATION · IFRS 18.123(b)

EPRA Earnings is calculated as profit or loss attributable to shareholders, excluding changes in value of investment properties, disposal results, fair value changes of financial instruments, acquisition costs on share deals, the deferred tax on these adjustments and the related non-controlling interests, as defined in the EPRA BPR Guidelines.

(C)–(E) RECONCILIATION, INCOME TAX AND NON-CONTROLLING INTERESTS · IFRS 18.123(c)–(e)

The following table reconciles EPRA Earnings to earnings per the IFRS statement of profit and loss, presenting the income tax effect and the effect on non-controlling interests for each reconciling item. EPRA Earnings reflects management's view of an aspect of the financial performance of the entity as a whole and is not necessarily comparable with similarly labelled measures reported by other entities (IFRS 18.122). The income tax effect of each reconciling item has been determined by reference to the statutory tax rates applicable to the underlying transactions in the relevant jurisdictions (IFRS 18.123(e), B141–B142).

RECONCILING ITEM	AMOUNT (€M)	INCOME TAX EFFECT (€M)	EFFECT ON NCI (€M)
Earnings per IFRS statement of profit and loss	412	–	–
<i>Adjustments to calculate EPRA Earnings, exclude:</i>			
(i) Changes in value of investment properties, development properties held for investment and other investment interests	(236)	30	(10)
(ii) Profits or losses on disposal of investment properties, development properties held for investment and other investment interests	(18)	4	(2)
(iii) Profits or losses on sales of trading properties including impairment charges in respect of trading properties	6	(1)	–
(iv) Tax on profits or losses on disposals	4	–	–
(v) Negative goodwill / goodwill impairment	10	–	–
(vi) Changes in fair value of financial instruments and associated close-out costs	22	(5)	–
(vii) Acquisition costs on share deals and non-controlling joint venture interests	3	–	–
(viii) Adjustments related to funding structure	8	(2)	–
(ix) Adjustments related to non-operating and exceptional items	12	(3)	–
(x) Deferred tax in respect of EPRA adjustments	41	–	–
(xi) Adjustments (i) to (x) above in respect of joint ventures (unless already included under proportional consolidation)	8	(2)	(1)
(xii) Non-controlling interests in respect of the above	(13)	–	–
EPRA Earnings	259		

Illustrative figures for presentation purposes only; figures in parentheses are deductions. The reconciling items shown are examples; the full list of adjustments is defined in the [EPRA BPR Guidelines](#). In an actual MPM note, IFRS 18 requires further disclosures: for each reconciling item, the line item(s) in the statement of profit or loss in which the amounts are included, and a description of how the item is calculated and how it contributes to the measure providing useful information (IFRS 18.B137) – descriptions must be clear and specific, for example as to which items are treated as non-operating or exceptional (IFRS 18.B134–B135). Comparative amounts for the preceding period are also required. Nil income tax and NCI effects shown here are illustrative only; entities determine the actual effects (current and deferred) for each item in accordance with IFRS 18.B141. These per-item effects are distinct from reconciling item (x), which is an EPRA earnings adjustment.

DISCLAIMER

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