

IFRS 18

Presentation and Disclosure in Financial Statements

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EFFECTIVE 2027

WHY THE CHANGE

- Statements of profit or loss currently vary in structure and content
- MPMs may be useful to investors but companies need to explain how these measures are calculated and why they are considered useful by management
- Investors would like to see information more appropriately grouped (aggregated or disaggregated)

IMPACT

- IFRS 18 will affect all companies in all industries
- IFRS 18 will not affect how companies measure financial performance, it will affect how companies present and disclose financial performance

ROLES DEFINED

ROLE OF THE PRIMARY FINANCIAL STATEMENTS

Provide useful structured summaries of the company's assets, liabilities, equity, income, expenses and cash flows

Needs to be a clear link between

ROLE OF THE NOTES

Provide material information to supplement the primary financial statements

THREE MAIN AREAS OF CHANGE

- 1 New subtotals of profit or loss based on classification into defined categories of income and expenses
- 2 Disclosures of Management-defined Performance Measures ("MPMs")
- 3 New principles for grouping of information

NEW STATEMENT OF PROFIT OR LOSS

Operating	Revenue
	Cost of sales
	Gross profit
	Other operating income
	Selling expenses
	Research and development expenses
	General and administrative expenses
	Goodwill impairment loss
	Other operating expenses
	Operating profit
Investing	Share of profit and gains on disposal of associates and joint ventures
	Profit before financing and income taxes
Financing	Interest expense on borrowings and lease liabilities
	Interest expense on pension liabilities and provisions
	Profit before income taxes
Income taxes	Income tax expense
	Profit from continuing operations
Discontinued operations	Loss from discontinued operations
	Profit

DISCLOSURES OF MPMs

- Reconciliation between the MPM and the most directly comparable IFRS 18 subtotal
- Description of how the measure communicates management's view and how the measure is calculated
- Explanation of any changes in MPMs or how MPMs are calculated compared to prior periods
- Statement that the MPM reflects management's view and is not necessarily comparable to measures used by other companies

GROUPING (AGGREGATION AND DISAGGREGATION)

- Aggregate items that share characteristics, and disaggregate items that have different characteristics
- Group items in a way that does not obscure material information or reduce the understandability of the information presented; and
- Place items in the primary financial statements and the notes to fulfil their complementary roles

OTHER CHANGES

- **Statement of cash flows:** indirect method reconciliation starts from operating profit; removing the presentation alternatives for interest and dividend cash flows
- **Earnings per share:** additional earnings may be disclosed in certain circumstances
- **Interim reporting:** require companies to disclose information about MPMs in interim financial statements
- **Accounting policies and disclosures:** some requirements previously included in IAS 1 have been moved to IAS 8 or IFRS 7