



# IFRS 18 – PRESENTATION AND DISCLOSURES IN THE FINANCIAL STATEMENTS

(Overview of key changes)

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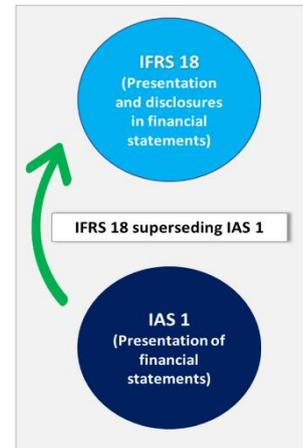
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# ABOUT IFRS 18

## About IFRS 18

### IFRS 18 will:

- Enhances the clarity and consistency of financial statements, allowing companies to tell a more coherent financial story to investors;
- Apply for reporting periods beginning on or after 1 January 2027 (with a requirement to restate comparative information);
- Replace IAS 1, but with many of the existing principles in IAS 1 retained with limited changes; and
- Not impact the recognition or measurement of items in the financial statements, but might change the presentation of primary statements and disclosures.



## Overview of key changes

*Investors are demanding more transparency and comparable data in financial reports. IFRS 18 addresses this by requiring companies to:*

- Revise structure of the statement of profit or loss, with new **categories** i.e. **Operating, Investing and Financing** and mandatory requirements of subtotals i.e. **“Operating profit or loss”, “Profit or loss before financing and income taxes” and “Profit or loss”** [IFRS 18.69].
- Include certain disclosures related to the statement of profit or loss; **Management-defined performance measures (MPM)** [IFRS 18.117] and **Disclosure of expenses by nature, for entities that present the statement of profit or loss by function** [IFRS 18.78].
- Aggregation and disaggregation [IFRS 18.41].
- Some other changes in the **statement of cash flows** i.e. specify ‘operating profit or loss’ as the starting point for reconciling cash flows from operating activities and the presentation of interest and dividends paid in financing activities, interest and dividends received in investing activities. Moreover, in the **statement of financial position**, goodwill is required to be presented separately [IFRS 18.103].

## New categories directed by IFRS 18

### Operating

An entity shall classify in the operating category all income and expenses included in the statement of profit or loss that are not classified in other categories. [IFRS 18.52]

### Investing

An entity that does not have a specified main business activity is required to classify in the investing category income and expenses (e.g., income generated by the assets, etc.) from: [IFRS 18.53-54]

### Financing

The financing category comprises income and expenses from liabilities arising from transactions that involve only the raising of finance (e.g., debentures, loans, notes, bonds and mortgages) and interest income and expenses and the effects of changes in interest rates from liabilities arising from transactions that do not involve only the raising of finance (e.g., payables for goods or services, lease liabilities, defined benefit pension liabilities) but only if the entity identifies those amounts when applying another IFRS Accounting Standard. [IFRS 18.59-61]

## Illustrative example of business activities

Financial statement line item	Business activities			
	Manufacturing and sales of goods	Manufacturing and sales of goods and providing finance to customers	Providing finance to customers	Real Estate
Interest on liabilities specified by IFRS 18 (Para 59)	Financing	Operating <sup>1</sup> and choice between operating and financing <sup>1-2</sup>	Operating <sup>1</sup> and choice between operating and financing <sup>1-2</sup>	Financing
Gain / loss on investment properties	Investing	Investing	Investing	Operating

<sup>1</sup> Includes all interest expense from borrowings that relate to providing financing to customers.

<sup>2</sup> An accounting policy choice applies to interest expense from borrowings that do not relate to providing financing to customers.

## Illustrative example of revised statement of profit or loss

Statement of profit or loss (Corporate general)		
Line item	Amount	Category
Revenue	X	Operating
Operating expenses (analyzed by nature, function or both as appropriate)	(X)	Operating
Operating profit	X	<b>Required subtotal</b>
Share of profit from associates and joint ventures accounted for using the equity method	X	Investing
Interest income from cash and cash equivalents	X	Investing
Profit before financing and income tax	X	<b>Required subtotal</b>
Interest expense on borrowings	(X)	Financing
Interest expense on other liabilities	(X)	Financing
Profit before income tax	X	
Income tax expense	(X)	Income tax
Profit from continuing operations	X	
Loss from discontinued operations	(x)	Discontinued operations
Profit for the year	X	<b>Required subtotal</b>

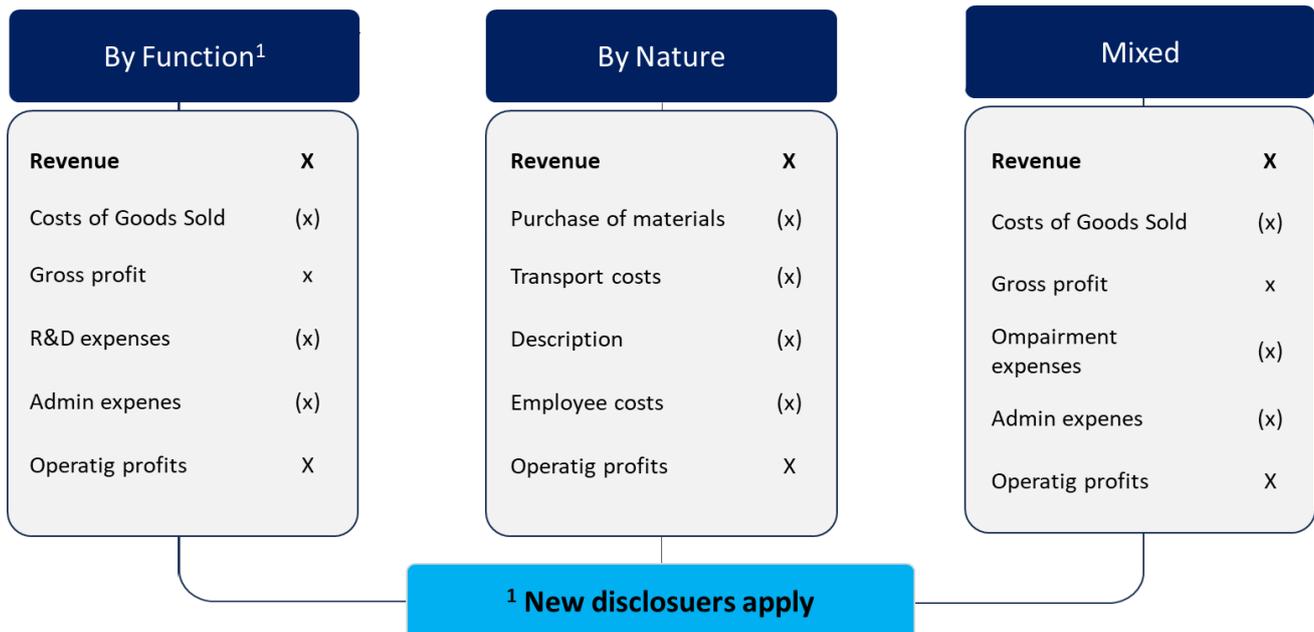
\* This is for entities without specified main business activity

\* Corporate general companies are companies other than insurance and financing companies.

## Disclosure of expenses

In the operating category of the statement of profit or loss, an entity shall classify and present expenses in line items in a way that provides the most useful structured summary of its expenses, using one or both of these characteristics (*see paragraphs B78–B85*):

- the nature of expenses; or
- the function of the expenses within the entity.



Nature of operating expense	Cost of revenue	General and administrative expenses	Selling and marketing expenses	*List of any line items outside the operating category [IFRS 18 - 83b(ii)]
Employee benefits	X	X	X	X
Depreciation	X	X	X	X
Amortization	X	X	X	X
Impairment losses / reversals	X	X	X	X
Inventory written downs / reversals	X	X	X	X
Any other line	X	X	X	X

## Management-defined performance measures (MPM)

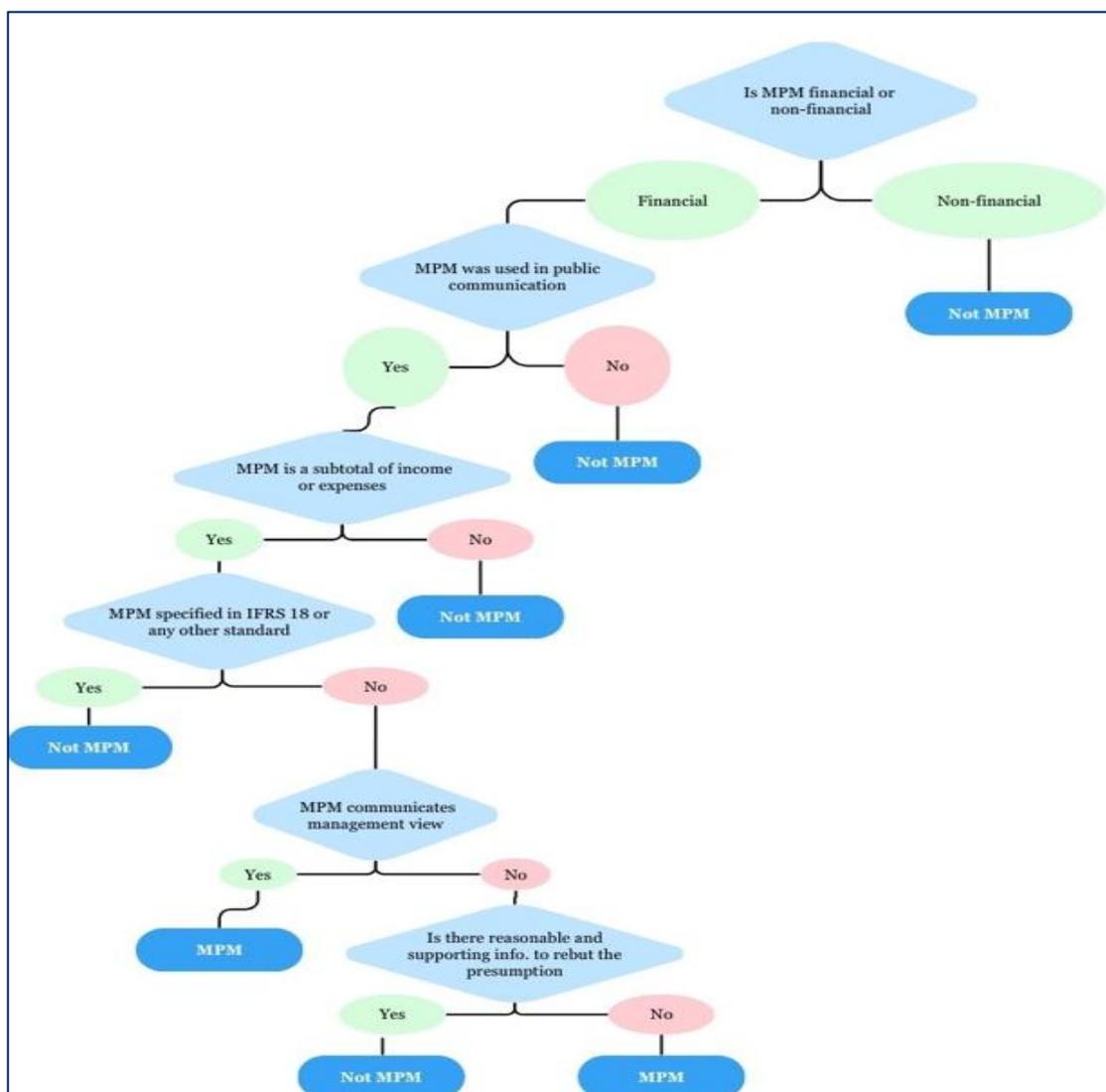
*IFRS 18 requires an entity to identify its management-defined performance measures (MPM) as detailed disclosures need to be included in the notes for them.*

A MPM is a subtotal of income and expenses that: [IFRS 18.117]

- is used in public communications outside financial statements;
- is used to communicate to investors management’s view of an aspect of the financial performance of the entity as a whole; and
- is not listed in IFRS 18 or specifically required by IFRS Accounting Standards.

An entity will disclose information about its MPMs in a **single note** to the financial statements. The note will include a statement that the MPMs provide **management’s view** of an aspect of the financial performance of the entity as a whole and are not necessarily comparable with measures sharing similar labels or descriptions provided by other entities. [IFRS 18.122].

The note will also include for each MPM: [IFRS 18.123-124]



- a description of the aspect of financial performance that it communicates, including why management believes the MPM provides useful information about the entity's financial performance;
- a description of how the MPM is calculated;
- a reconciliation between the MPM and the most directly comparable subtotal listed in IFRS 18 or total or subtotal required by IFRS Accounting Standards, including the income tax effect and the effect on non-controlling interests for each item disclosed in the reconciliation; and
- a description of how the entity determined the income tax effect; explanations on changes made regards the calculation of a MPM or alike.
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## Aggregation and disaggregation

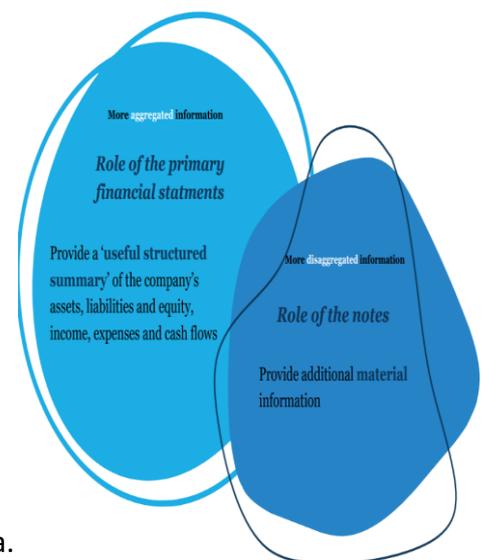
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IFRS 18 has defined the aggregation and disaggregation in following:

- Clearly defined 'roles' for both primary financial statements and notes;
- An entity shall aggregate items based on shared characteristics (that is, aggregate items that have similar characteristics) and disaggregate items based on characteristics that are not shared (that is, disaggregate items that have dissimilar characteristics). [IFRS 18.B17]
- A single unique trait can require disaggregation if it's significant.

New disclosures apply to discourage companies from labelling items as 'other' and aggregating items into large single amounts.

Determining how to group information remains a judgement area.





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