
IFRS 18 *Presentation and Disclosure in Financial Statements*

Subtotals and categories in the statement of profit or loss

Welcome & Introductions



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Housekeeping

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IFRS 18: *Presentation and Disclosure in Financial Statements*



New required subtotals in statement of profit or loss, including 'operating profit'

16 May 2024



Disclosures about management-defined performance measures (MPMs)

30 May 2024



Enhanced guidance on grouping of information (aggregation and disaggregation)

06 June 2024

Morning webinars: 9:30-10:30 BST / 10:30-11:30 CEST / 17:30-18:30 JST

Afternoon webinars: 15:30-16:30 BST / 10:30-11:30 EDT

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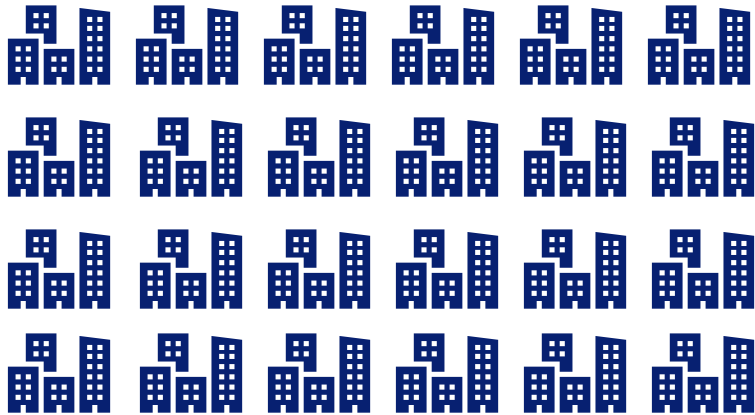
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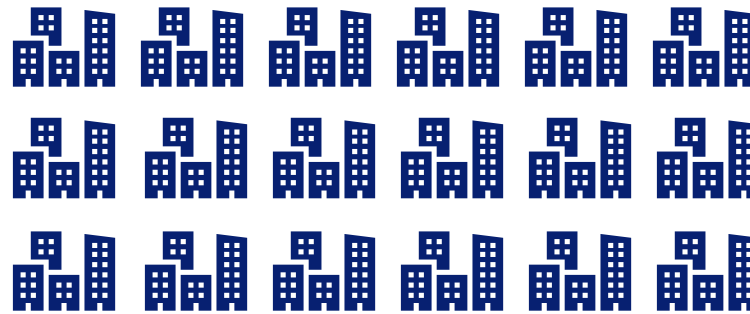
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Operating profit today – not defined by IFRS Accounting Standards



100
companies



61 reported
'operating profit'

9

different
definitions

Categories and subtotals in the statement of profit or loss

Investors' concerns

- Difficulty comparing financial performance because companies' statement of profit or loss vary in content and structure

IFRS 18 introduces

- Three defined categories to provide a consistent structure of the statement of profit or loss:
 - operating
 - investing
 - financing
- Two new required subtotals to enable analysis:
 - operating profit
 - profit before financing and income tax

New required subtotals

Operating profit

Gives a complete picture of a company's operations

Profit before financing and income tax

Gives a picture of a company's performance before the effects of its financing

Statement of profit or loss

Revenue

Cost of sales

Gross profit

Other operating income

Selling expense

Research and development expenses

General and administrative expenses

Goodwill impairment loss

Other operating expenses

Operating profit

Share of profit or loss of associates and joint ventures

Other investment income

Profit before financing and income tax

Interest expense on borrowings and lease liabilities

Interest expense on pension liabilities and provisions

Profit before tax

Income tax expense

PROFIT

Operating

Investing

Financing

What is in the operating category?



Income and expenses:

- All income and expenses from a company's operations, regardless of whether they are volatile or unusual in same way
- Including from its main business activities



Works for all business models

Provides complete picture of company's operations

What is in the investing category?



Income and expenses from assets that generate a return individually and largely independently of other resources held by an entity

- rental income and remeasurements of investment property
- interest income and fair value changes on financial assets, such as debt securities
- dividends and fair value changes on non-consolidated equity investments



Income and expenses from non-consolidated subsidiaries, associates and joint ventures



Income and expenses from cash and cash equivalents

What is in the financing category?

Income and expenses from liabilities that arise from transactions that involve only the raising of finance



- Receipt and return of cash or company's own equity instruments
- Extinguishment of a financial liability
- For example, bank loans

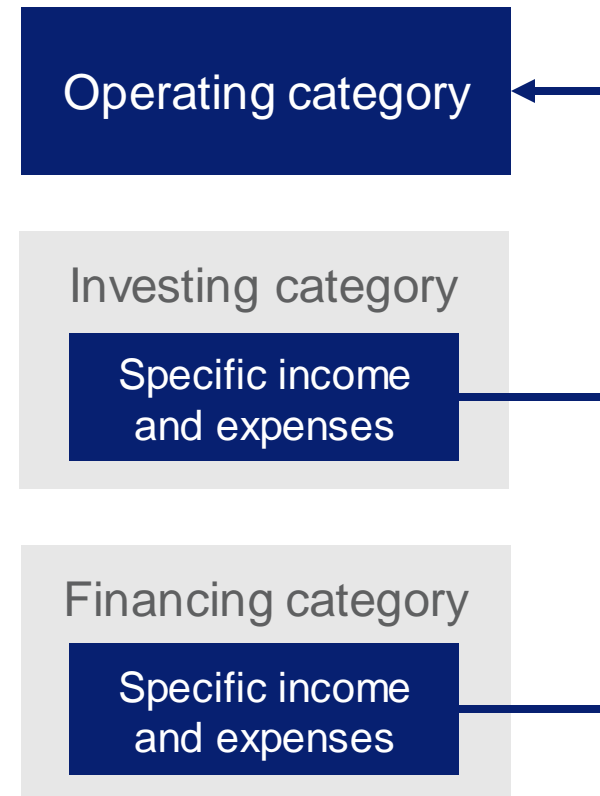
Interest expense and effects of changes in interest rates from other liabilities



- Lease liabilities
- Defined benefit pension liabilities

Requirements for specific companies

- For some companies, financing and investing activities are their main business activities – for example banks and insurers
- These companies include income and expenses in their operating profit that for other companies would be included in the investing or financing categories



Statement of profit or loss - financing and investing as main business activities

Interest revenue

Interest expense

Net interest income

Fee and commission income

Fee and commission expenses

Net fee and commission income

Net trading income

Net investment income

Credit impairment losses

Employee benefits

Depreciation and amortisation

Other operating expenses

Operating profit

Share of profit of associates and joint ventures

Interest expenses on pension and lease liabilities

Profit before income taxes

Income tax expense

PROFIT

Operating

Non-main Investing and
financing

Statement of profit or loss – insurer

Insurance revenue

Insurance service expenses

Insurance service result

Investment income

Credit impairment losses

Insurance finance expenses

Net financial result

Other operating expenses

Operating profit

Share of profit or loss of associates and joint ventures

Profit before financing and income tax

Interest expense on borrowings and pension liabilities

Profit before income taxes

Income tax expense

PROFIT

Operating

Investing

Financing

Effective date and implementation support

When will IFRS 18 come into force?



- 1 January 2027
- Early application permitted
- Applied retrospectively and in interim financial statements

Published materials



- IFRS 18 *Presentation and Disclosure in Financial Statements*
- Basis for Conclusions
- Illustrative Examples and supporting materials
- Effects analysis
- Project summary
- Feedback statement
- Reference material
- IFRS 18 on one page



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