

# Roadmap to IFRS 18: Presentation and Disclosure in Financial Statements



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# What is new?

- ▶ A new IFRS accounting standard addressing presentation and disclosure in financial statements.
- ▶ Replaces IAS 1 *Presentation of Financial Statements* and responds to investor demand for better information about an entity's financial performance.
- ▶ Effective for periods beginning on or after 1 January 2027, with earlier application permitted.

## Impact on the statement of profit or loss

Income and expenses are required to be classified into one of five categories (operating; investing; financing; income taxes; and discontinued operations) and present two new mandatory subtotals ('operating profit or loss' and 'profit or loss before financing and income tax').

## Roles, aggregation and labelling

IFRS 18 defines the roles of the financial statements and provides guidance to assist entities in determining how best to present and label summarised (or aggregated) information in the primary financial statements and disclose material detailed (or disaggregated) information in the notes.

## Management-defined performance measures

IFRS 18 introduces the concept of management-defined performance measures ('MPMs'), defined as subtotals of income and expenses that an entity uses in public communications outside financial statements, to communicate to users management's view of an aspect of the financial performance of the entity as a whole. Disclosures about MPMs are required in a single note to the financial statements.

## Consequential amendments to other IFRS accounting standards

Narrow scope, but widely applicable, consequential amendments to IAS 7 *Statement of Cash Flows*, IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, IAS 33 *Earnings per Share* and IAS 34 *Interim Financial Reporting*.

# Transition in sight

## Reporting of a 31 December year-end entity

**2024**

IFRS 18  
publication date

**2025**

Preparation  
period

**2026**

Start of IFRS 18  
comparative  
period

**2027**

IFRS 18 is effective  
(1 January 2027)  
Applies  
retrospectively

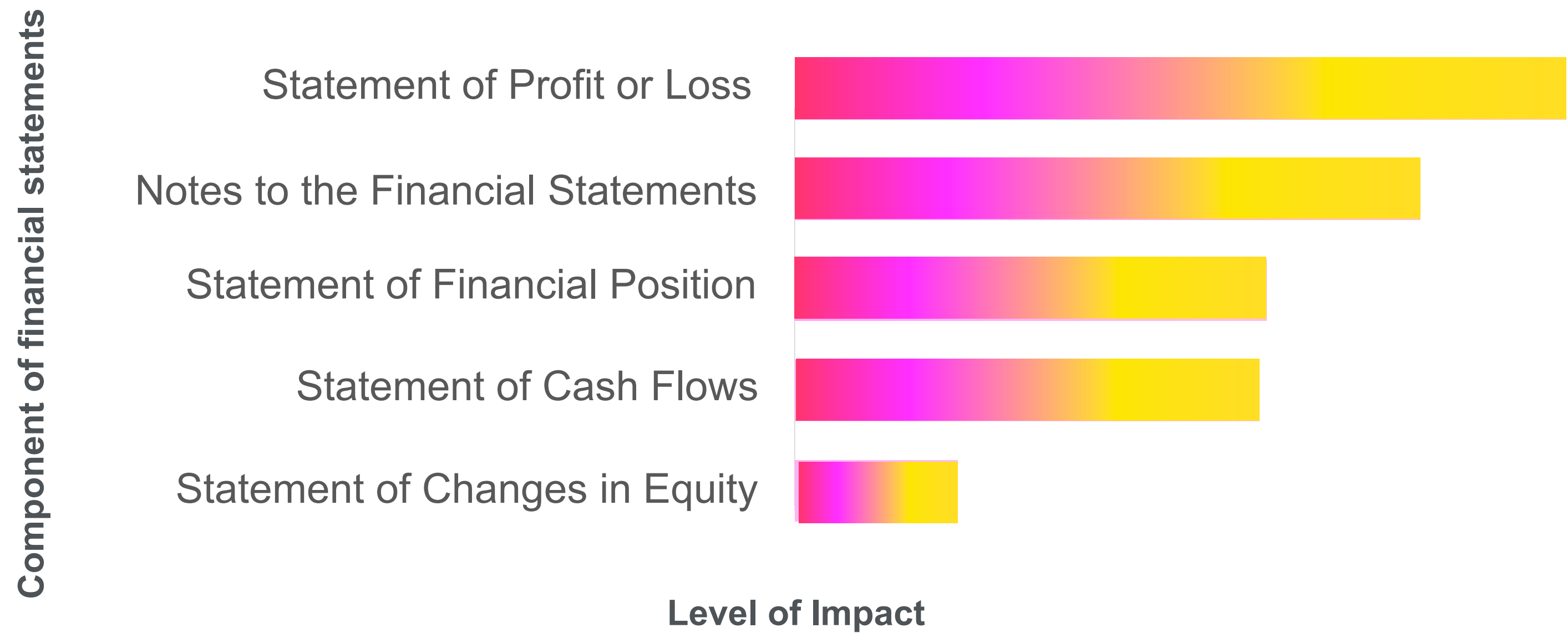
## Transition planning and timeline management

Although IFRS 18 is effective for periods beginning 1 January 2027, information will also need to be presented for the **comparative period**. Entities should start **planning for the transition now** to ensure they can present their comparative results in terms of both IAS 1 and IFRS 18.



# What is the expected impact?

While IFRS 18 primarily has an impact on the statement of profit or loss with new mandatory subtotals and categories of income and expenses, the new standard represents a major overhaul of the requirements relating to the presentation and disclosure of information in the financial statements in general.



# What are the benefits for entities?

## A key opportunity to improve investor confidence through reporting



### Tailored communication

- ▶ Enhanced guidance on the aggregation and disaggregation, labelling and location of information, as well as the newly defined roles of the primary financial statements and notes will allow preparers to tailor their communication to best fit their reporting needs.
- ▶ MPM disclosure empowers management to explain their unique view of performance.
- ▶ With MPMs now part of audited disclosures, entities can craft a more credible narrative around their strategic priorities and long-term value creation.



### Improved transparency

- ▶ The new requirements for performance reporting will contribute toward improved consistency and more meaningful conversations with investors, analysts, and regulators.
- ▶ The enhanced aggregation and disaggregation guidance will ensure that all material items are presented or disclosed separately, avoiding overly aggregated line items.
- ▶ MPM disclosure enables a bridging of the gap between IFRS numbers and investor communications, serving to reduce scepticism around non-GAAP measures.



### Enhanced comparability

- ▶ Improved comparability resulting from the new income and expense categories and subtotals will foster trust and strengthen relationships with capital markets.
- ▶ The new requirements will allow increased benchmarking opportunities amongst entities within similar sectors, and reduce the risk of misinterpretation.
- ▶ The disclosure of MPMs allows investors to evaluate metrics in the appropriate context.

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The adoption of IFRS 18 provides a unique opportunity for preparers to revisit their communication strategy in their financial statements.

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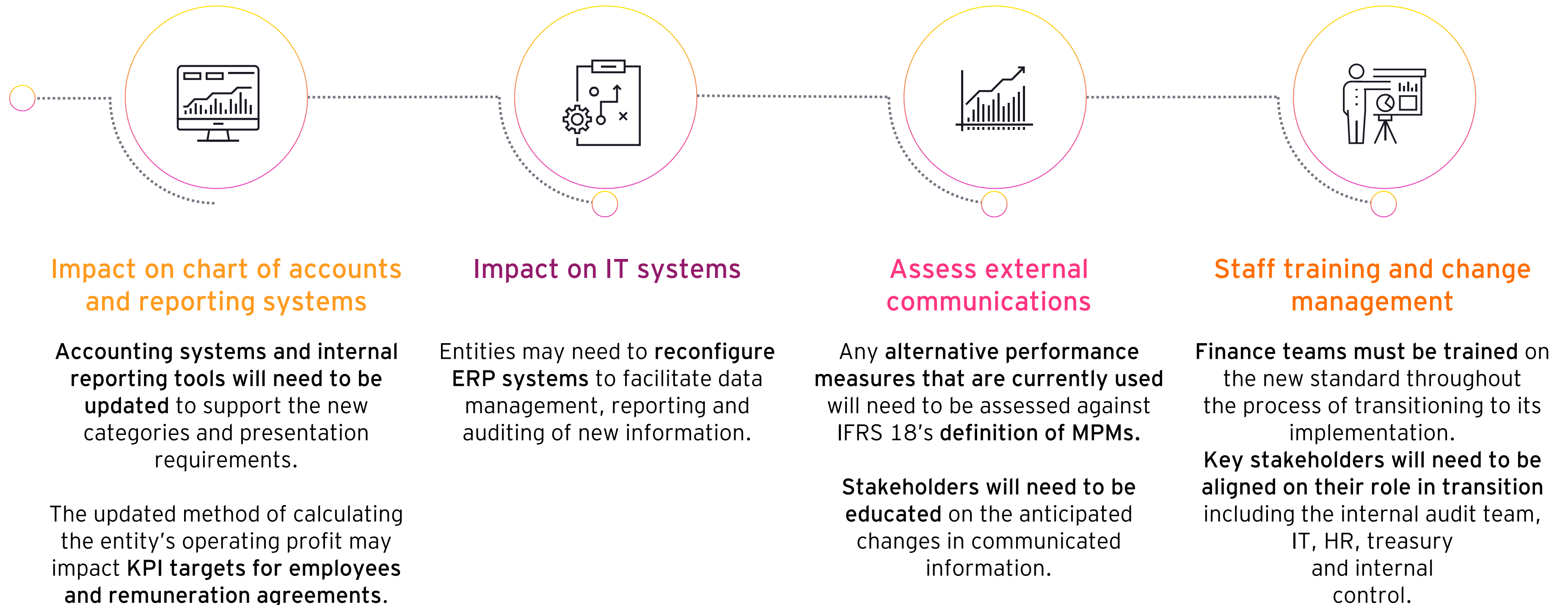


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# What are the challenges?



# Are you IFRS 18 ready?

While the timeline introduced earlier outlines the key phases of IFRS 18 implementation, let's take a deeper look at the broader, real-world challenges that entities must anticipate and plan for. Preparation goes beyond ticking off milestones – it requires aligning internal reporting, systems governance, and communication strategies to ensure the changes are not only compliant but also sustainable and value-adding.

- Implementation efforts often take longer than expected.
- In-house finance teams, already stretched by business-as-usual demands, may need external support to complete impact assessments, systems updates and disclosure planning.
- Entities should engage advisors early and allocate sufficient time for audit review, internal training and review of investor materials ahead of transition dates.

01

## **Strengthen internal readiness and ownership**

The shift to implementation of IFRS 18 requires integrated, cross functional change. Entities must define a clear vision for adoption and assign accountability across finance, IT, investor relations, and business units. Early engagement with stakeholders is essential to secure sponsorship and prevent siloed execution.

03

## **Reconsider investor and board communications**

The standard will affect how financial performance is communicated externally. Finance teams should assess how the new disclosures will reshape investor narratives and how MPMs may be interpreted by analysts, boards and rating agencies. Investor relations teams must begin planning for transitional messaging, including reconciliations from current to future reporting formats and revised KPIs.

02

## **Evaluate and adapt internal systems**

Entities should proactively assess whether their financial systems, ERP configurations, and management reporting tools are equipped to handle the upcoming changes. Depending on the complexity of operations, this may include modifying consolidation processes, data mapping, or developing new segment reporting capabilities. Timely coordination between technical teams and systems vendors is crucial.

04

## **Align strategy and commercial messaging**

IFRS 18 may bring to light unexpected insights into performance trends. Executives should assess how these changes may affect stakeholder perceptions and whether any updates to internal KPIs or remuneration policies are required. In parallel, finance teams must ensure alignment between financial disclosures and messaging in investor decks, trading statements, and results presentations.



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IFRS 18 is expected to enhance transparency and relevance of financial reporting, bridging the gap between IFRS information and investor communications.

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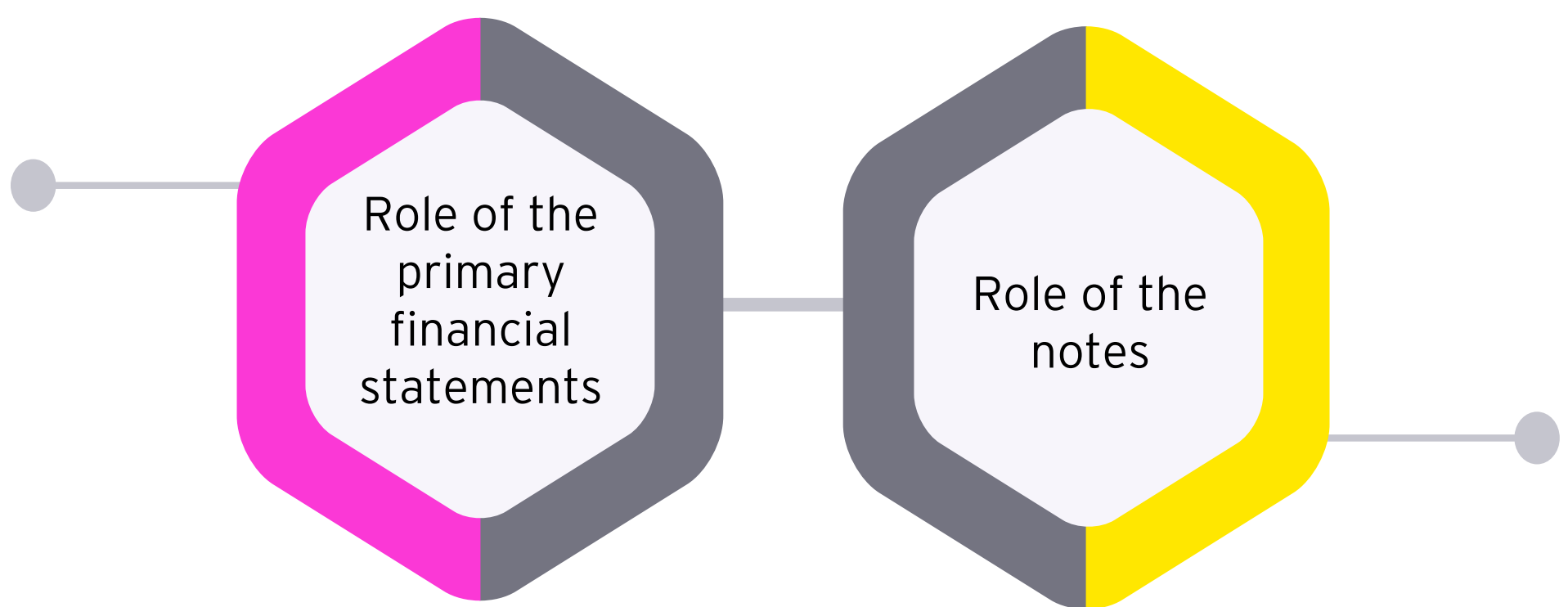


# Roles of the primary financial statements and the notes

IFRS 18 defines the roles of the primary financial statements and the notes thereto, with additional guidance to assist entities in determining how best to **present** information in the **primary financial statements** or **disclose** information in the **notes**.

## Provide users with a useful structured summary to:

- ▶ Obtain an understandable overview of the entity's assets, liabilities, equity, income, expenses and cash flows;
- ▶ Make comparisons between entities and reporting periods; and
- ▶ Identify items or areas about which users of financial statements may wish to seek additional information in the notes.



Role of the primary financial statements

Role of the notes

## Provide material information necessary to:

- ▶ Enable users of financial statements to understand the line items presented in the primary financial statements; and
- ▶ Supplement the primary financial statements with additional information to achieve the objective of financial statements.



# Aggregation and disaggregation

Unless it overrides specific aggregation or disaggregation requirements in IFRS accounting standards, an entity is required to:

Classify and **aggregate** assets, liabilities, equity, income, expenses or cash flows into items based on **shared characteristics**

**Disaggregate** items based on **characteristics** that are **not shared** (dissimilar characteristics)

Aggregate or disaggregate items in order to **disclose material information in the notes**

Aggregate or disaggregate items into line items that are presented in the primary financial statements so that they **provide useful structured summaries**

Ensure that the aggregation and disaggregation of information in the financial statements **do not obscure material information**

**Entities will need to apply judgement to determine how much detail is necessary to provide useful information, without obscuring material information.**

The application guidance sets out characteristics that should be considered in applying the principles of aggregation and disaggregation which include:

- Nature
- Function / role within the entity's activities
- Measurement basis
- Size
- Persistence
- Duration and timing



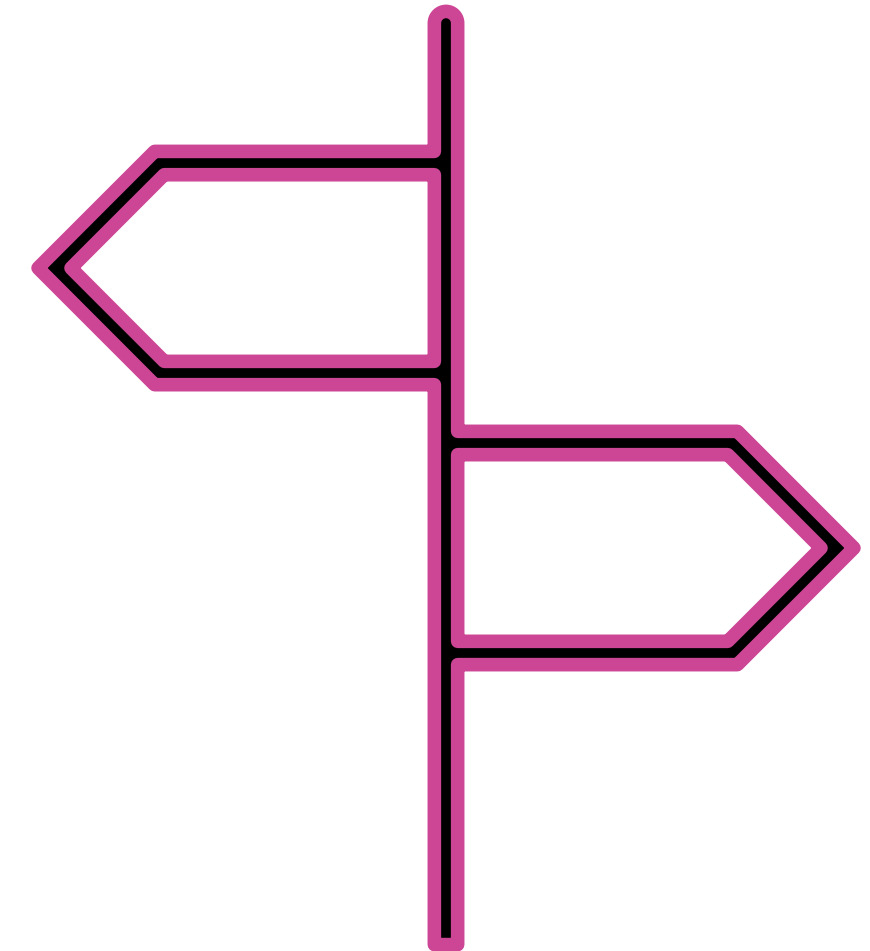
# Labelling

To achieve a faithful representation, an entity needs to provide all the descriptions and explanations that are necessary for a user to understand the item.

In some cases, an entity might need to include the meaning of the terms used by the entity in the descriptions and explanations and disclose information about how it has aggregated or disaggregated assets, liabilities, equity, income, expenses and cash flows.

Currently, some entities present or disclose a large amount of 'other' income or expenses without explaining what those 'other' items include.

Using the label 'other' for such an aggregation is usually unhelpful and, therefore the application guidance within IFRS 18 helps entities determine a more informative label and provide more useful information.



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Preparers will need to carefully consider their current labelling of information in their financial statements, particularly for aggregated items - is the most informative label used?

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# What is new in the statement of profit or loss?

IFRS 18 requires an entity to classify all income and expenses included in the statement of profit or loss in one of five categories and requires two new subtotals.

A summary for an entity without a specified main business activity is shown below:

Revenue	Operating
Cost of sales	
<b>Gross profit</b>	
Other operating income	
Selling expense	
Research and development expenses	
General and administrative expenses	
Goodwill impairment loss	
Other operating expenses	
Operating profit	Investing
Share of the profit from associates and joint ventures	
Gains on disposals of associates and joint ventures	
Profit before financing and income tax	Financing
Interest expense on borrowings and lease liabilities	
Interest expense on pension liabilities	
<b>Profit before income tax</b>	Income taxes
Income tax expense	
Profit from continuing operations	Discontinued operations
Loss from discontinued operations	
Profit for the year	
<b>New items</b>	<b>Required items</b>



# New categories of income and expenses

01

## Operating

Typically includes all income and expenses:

- Arising from an entity's main business activities
- Not classified in other categories, even if these income and expenses are volatile and unusual
- Provides a picture of the entity's operations



Although many entities already present an operating profit or loss subtotal, the classification of income and expenses in this category might not be the same.

02

## Investing

- Income and expenses from assets that generate returns individually and largely independently of other resources held by an entity
- Income and expenses from unconsolidated subsidiaries, associates, joint ventures accounted for using the equity method
- Income and expenses from cash and cash equivalents



### Typically includes:

- Interest revenue and fair value changes on financial assets
- Equity accounted earnings from joint ventures, associates and unconsolidated subsidiaries
- Rental income and remeasurements of investment property
- Dividends and fair value changes on non-consolidated equity investments

03

## Financing

- Includes all income and expenses from liabilities that involve only the raising of finance
- Interest expense and the effects of changes in interest rates from other liabilities



- Interest expense on debt instruments issued
- Fair value gains and losses on liabilities designated at fair value through profit or loss
- Income and expenses on the receipt and return of entity's own shares
- Interest expense and effect of changes in interest rates on lease liabilities and defined benefit plans

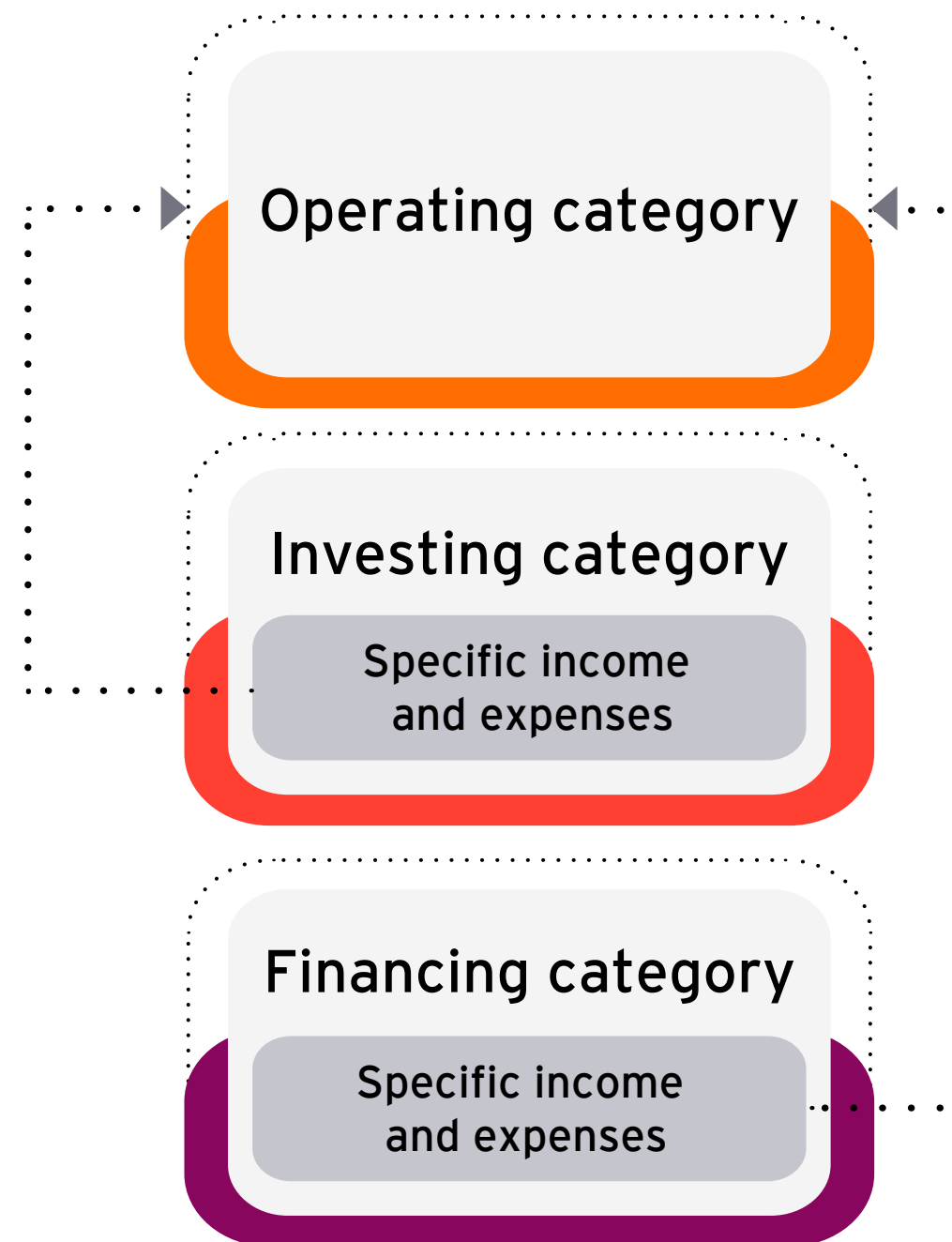
# Requirements for specific entities

IFRS 18 introduces the concept of two 'specified main business activities' ('MBAs') being:

- ▶ Investing in particular types of assets (e.g., investment property companies) and/or
- ▶ Providing financing to customers (e.g., banks and other lending institutions)

As an exception to the general requirements, IFRS 18 requires entities with a 'specified main business activity' to classify some of their income and expenses in the operating category that would otherwise have been included in investing or financing.

This exception to the general requirements is depicted in the illustration alongside:



Source: [Applying IFRS\\_A closer look at IFRS 18](#)

## Classification of income and expenses by entities with a specified main business activity

These specific requirements only apply to particular income and expenses related to these specified MBAs and, therefore, even these entities will be required to apply the general classification requirements for the rest of their income and expenses.

An entity could have several MBAs, but is only required to assess whether it has one (or both) of the two specified MBAs. This determination is a matter of fact and may require judgement, based on evidence.

The assessment of MBA is made at the reporting entity level. Thus, it is possible for a reporting entity that is a consolidated group and a reporting entity that is a subsidiary within that group, to have differing conclusions about their MBAs. Similarly, the MBA for the group's consolidated financial statements and the parent's separate financial statements could differ.

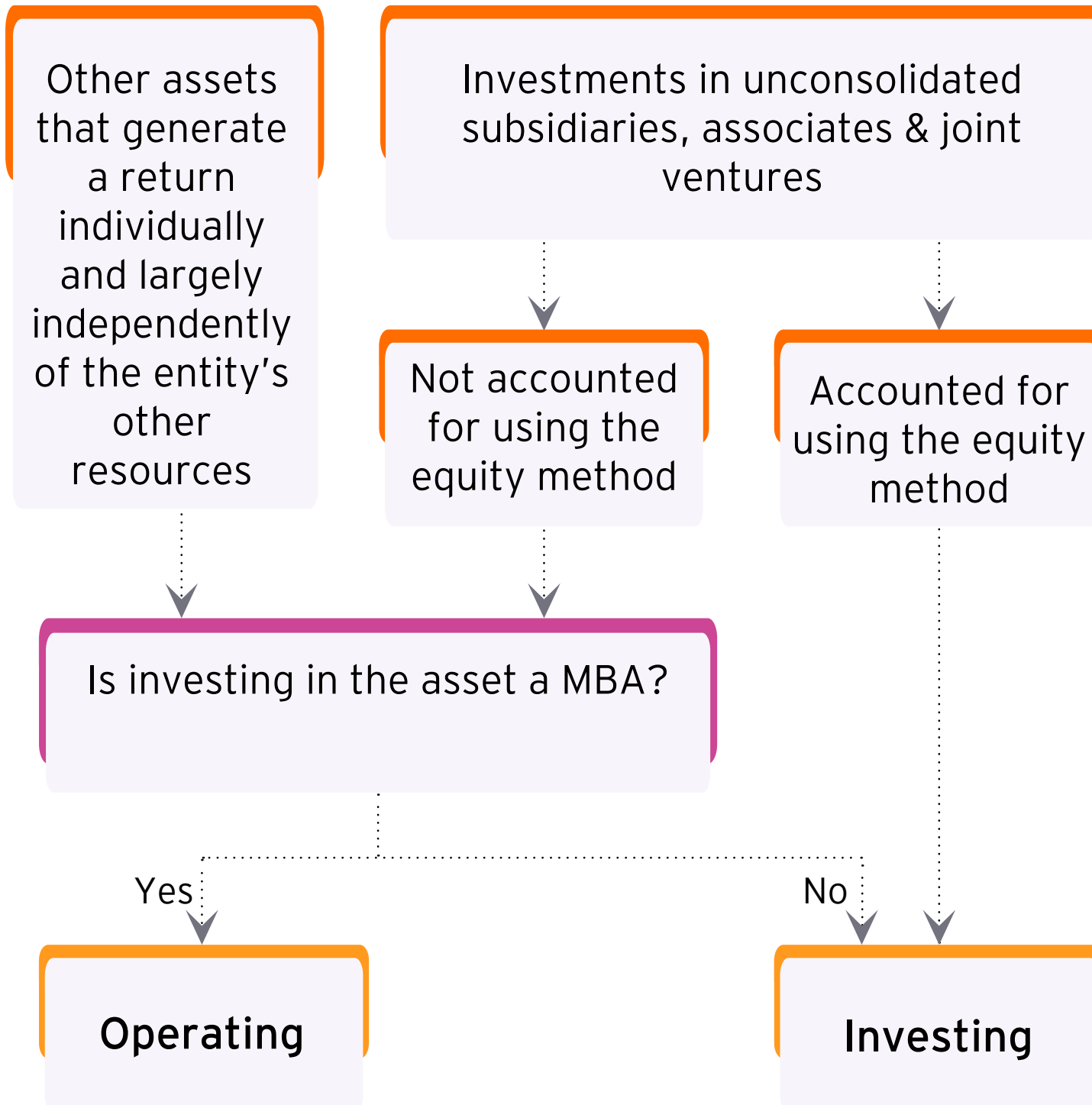


# Specified main business activities ('MBAs')

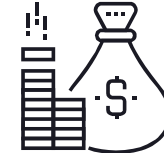


## 01. Entities that invest in assets as a MBA

Specified income and expenses from:

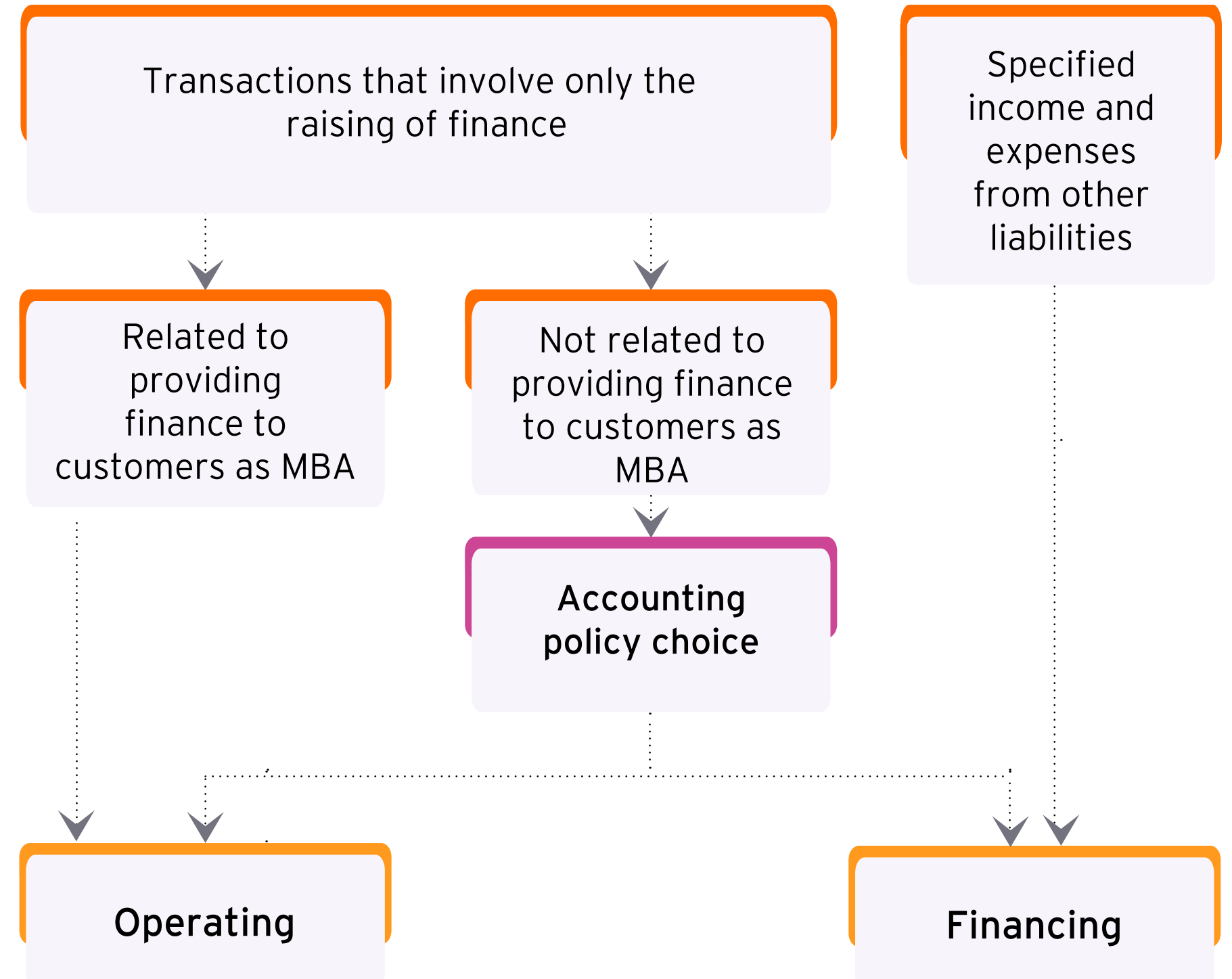


Source: Adapted from Figure 3.1 and 3.2 in the Illustrative Examples to IFRS 18 [IFRS 18.IE Figure 3.1 and 3.2]



## 02. Entities that provide financing to customers as a MBA

Specified income and expenses from:



Source: Adapted from Figure 3.1 and 3.2 in the Illustrative Examples to IFRS 18 [IFRS 18.IE Figure 3.1 and 3.2]

# Management-defined performance measures ('MPMs')

IFRS 18 introduces disclosure requirements applicable to a defined subset of alternative performance measures and refers to them as 'management-defined performance measures' or 'MPMs'.

## An MPM is defined as:

**A subtotal of income and expenses that...**

Many entities currently use alternative performance measures in their financial communications however, the definition is limited to subtotals of income and expenses.

The following measures therefore will not be MPMs:

- ▶ **Subtotals of only income or only expenses**
- ▶ **Financial ratios** however, the numerator or denominator of a financial ratio could be an MPM
- ▶ **Non-financial performance measures**
- ▶ **Measures of assets, liabilities, equity or combinations of these elements**
- ▶ **Measures of liquidity or cash flows**

**...an entity uses in public communications outside financial statements**

**Public communications include:**

- Management commentary
- Press releases
- Investor presentations

For the purpose of defining MPMs, public communication excludes oral communications, written transcripts of oral communications and social media posts.

**...communicates to users of financial statements management's view of an aspect of the financial performance of the entity as a whole, and**

A subtotal only used to measure management's performance (for example, a measure used internally for the purpose of management remuneration, but not used externally to communicate management's view of an aspect of an entity's performance) would not meet the definition of an MPM.

**...is not listed in paragraph 118 of IFRS 18, or specifically required to be presented or disclosed by IFRS accounting standards**

IFRS 18 includes a list of subtotals which are specifically excluded from the definition of an MPM. These are subtotals not required or defined by IFRS accounting standards, but are commonly used by entities in their financial statements and are well understood by users and includes gross profit or loss, among others.



# Disclosure of MPMs

The objective of the disclosures for MPMs is for an entity to provide information to help a user of financial statements understand:

- ▶ The aspect of financial performance that, in management's view, is communicated by a management-defined performance measure; and
- ▶ How the management-defined performance measure compares with the measures defined by IFRS accounting standards.

The standard requires that an entity includes all the required information about MPMs in a single note to the financial statements.

## The disclosures required for each MPM:

- 01 A description of the aspect of financial performance that is communicated by the MPM, including an explanation of why management believes that the MPM provides useful information about the entity's financial performance
- 02 How the MPM is calculated
- 03 A reconciliation between the MPM and the most directly comparable total or subtotal specifically required by IFRS accounting standards or one of the subtotals listed in IFRS 18.118
- 04 The income tax effect and the effect on non-controlling interests for each item disclosed in the reconciliation, and description of how the income tax effect was determined

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