# IFRS 18: Presentation and Disclosure in Financial Statements

*Redefining how you present and disclose financial information*

23 June 2026

# With you today



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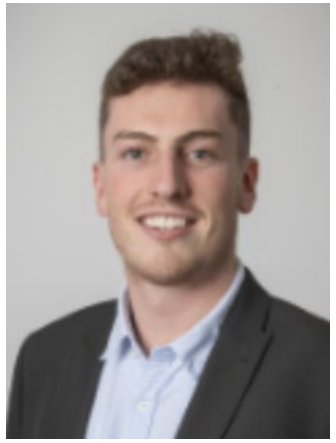
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# Agenda

**01** Overview of IFRS 18 requirements

**02** A more structured income statement

**03** Specified main business activities (SMBA)

**04** Aggregation and disaggregation

**05** Management Performance Measures (MPMs)

**06** Practical considerations

**07** Next steps



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# 01 Overview

- Replaces IAS 1 but with many existing principles in IAS 1 retained
- No impact on recognition and measurement (net profit unchanged)
- Effective for annual reporting periods beginning on or after 1 January 2027

## Key changes

- More structured income statement
- Enhanced aggregation and disaggregation guidance
- Introduction of management performance measures

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# Polling question: Where are you on the IFRS 18 journey?

**A**

I don’t understand the requirements

**B**

I understand the new requirements but have not started assessing the impact

**C**

Started assessing impact on current reporting / performing gap analysis

**D**

Done! Now onto the fun part - implementation

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# 02 A more structured income statement

## Income statement

Companies without specified main business activities

| | | |
|---|---|---|
| Operating | Revenue | X |
| | Operating expenses (analysed by nature, function or both as appropriate) | (X) |
| | **Operating profit** | **X** |
| Investing | Share of profit or loss of equity-accounted investees | X |
| | Income from other investments | X |
| | Interest income from cash and cash equivalents | X |
| | **Profit or loss before financing and income tax** | **X** |
| Financing | Interest expense on borrowings and lease liabilities | (X) |
| | Interest expense on pension liabilities | (X) |
| | **Profit before tax** | **X** |
| | Income tax | (X) |
| | **Profit for the year** | **X** |



**Specific classification considerations for:**

- Specified main business activities (e.g. banks, insurers)
- Foreign exchange differences
- Fair value gains and losses on derivatives

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# Polling question: Foreign exchange

**Scenario:**

A manufacturing group with a functional currency of Euro (€) has the following USD-denominated items:

- A trade receivable from a US customer
- A debt instrument recognised as a liability

Foreign exchange gains arise on both balances during the year.

**Question:**

Under IFRS 18, how should the FX gains be classified in the income statement?

**A** Receivable → Operating
Debt Instrument → Financing

**B** All FX gains → Investing

**C** All FX gains → Financing

**D** All FX gains → Operating

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# Polling question: Fair value movements on derivatives

**Scenario:**

A company enters into:

- Derivative A: a forward exchange contract to hedge highly probable future sales; and
- Derivative B: an interest rate swap to fix interest on borrowings

Neither derivative is designated in a formal hedge relationship under IFRS 9.

**Question:**

Under IFRS 18, how should gains and losses on these derivatives be classified?

**A** All gains and losses are classified in financing, as derivatives are financial instruments

**B** Derivative A → Operating
Derivative B → Financing

**C** Derivative A → Operating
Derivative B → Operating

**D** All gains and losses are classified in operating, as this is the default category

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# 03 Specified main business activities

- Includes activities conducted in the ordinary course of operations
- Not limited to those that generate revenue directly
- Companies that invest in assets or provide financing are required to make the assessment considering **evidence-based factors**

At the **group reporting level**, assess whether these are main business activities applying judgement based on evidence

**To classify income and expenses in the operating, investing and financing categories, an entity shall assess whether it has a specified main business activity**

## 01 Companies that invest in assets

- **Insurer**
- **Investment property company**
- **Investment entities**

## 02 Companies that provide financing

- **Lending institutions**
- **Lessors with customers under finance leases**
- **Companies that provide financing to customers to buy products**

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# 03 How does the nature of your business activities impact the categories?

**The classification of income and expenses varies depending on a company's main business activities.**



Companies with multiple main business activities that include specified main business activities may find it onerous to classify income and expenses in the income statement.

| | Manufacturer A | Manufacturer B | Bank | Real estate |
|---|---|---|---|---|
| **Main business activities** | Manufacturing and sale of goods | Manufacturing and sale of goods and providing finance to customers | Providing finance to customers | Investing in assets |
| **Interest expense on borrowings** | Financing | Operating* and choice between operating and financing** | Operating* and choice between operating and financing** | Financing |
| **Gains/losses on investment property** | Investing | Investing | Investing | Operating |

* *Includes all interest expenses from borrowings that relate to providing financing to customers.*

** *Accounting policy choice applies to interest expense from borrowings that do not relate to providing financing to customers.*

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# 04 Aggregation and disaggregation

Aggregation and disaggregation of information based on shared characteristics

Labelling and use of ‘other’

Presentation of operating expenses

Disclosure of expenses by nature

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# Polling question: Aggregation and disaggregation

**Question:**

Which of the following income statement line items may require further disaggregation to be disclosed in the notes under IFRS 18? Select all that apply.

1. Depreciation expense
2. Administrative expenses
3. Employee benefit expense
4. Cost of sales

**A** 1 and 4

**B** Only 4

**C** 2 and 4

**D** 1 and 3

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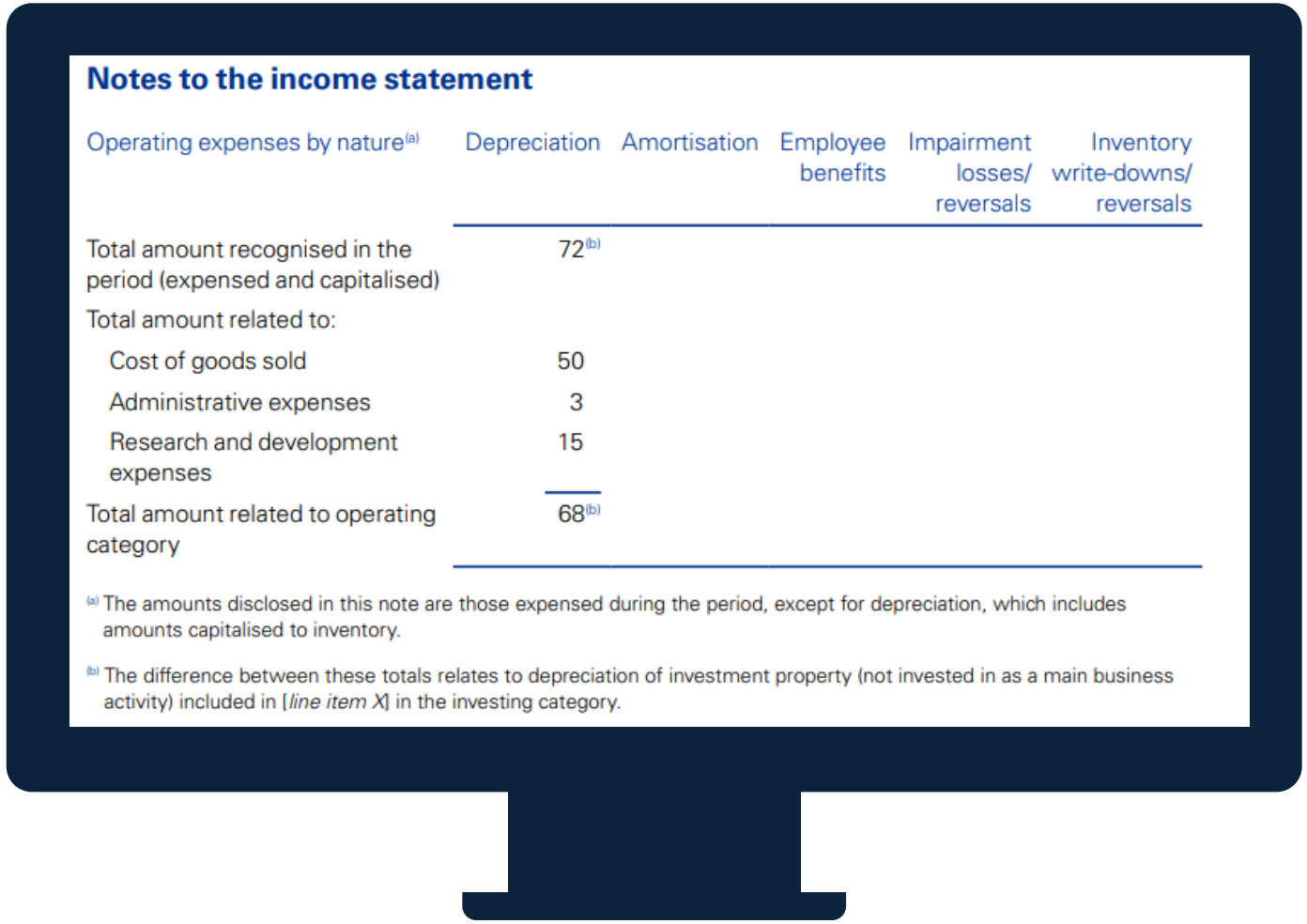
# 04 Disclosure of expenses by nature

**IFRS 18 :**

**01** Consider whether the method for analysing operating expenses on the face of the income statement requires change

**02** If any functional line items remain presented (e.g. cost of sales), disclosure by nature of expense is required in the notes (no exceptions available)

**03** Review chart of accounts to identify what specific data and related systems and process changes will be required to comply with the requirement



**Notes to the income statement**

| Operating expenses by nature[a] | Depreciation | Amortisation | Employee benefits | Impairment losses/ reversals | Inventory write-downs/ reversals |
|---|---|---|---|---|---|
| Total amount recognised in the period (expensed and capitalised) | 72[b] | | | | |
| Total amount related to: | | | | | |
| Cost of goods sold | 50 | | | | |
| Administrative expenses | 3 | | | | |
| Research and development expenses | 15 | | | | |
| Total amount related to operating category | 68[b] | | | | |

[a] The amounts disclosed in this note are those expensed during the period, except for depreciation, which includes amounts capitalised to inventory.

[b] The difference between these totals relates to depreciation of investment property (not invested in as a main business activity) included in [*line item X*] in the investing category.

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# 05 Disclosed and audited MPMs

- IFRS 18 presumes a subtotal of income and expense used in public communications represents management's view

**Non-GAAP measures**

**Other measures**

- Number of subscribers
- Customer satisfaction score
- Free cash flow
- Return on equity
- Net debt

**Measures that are subtotals of income and expense**

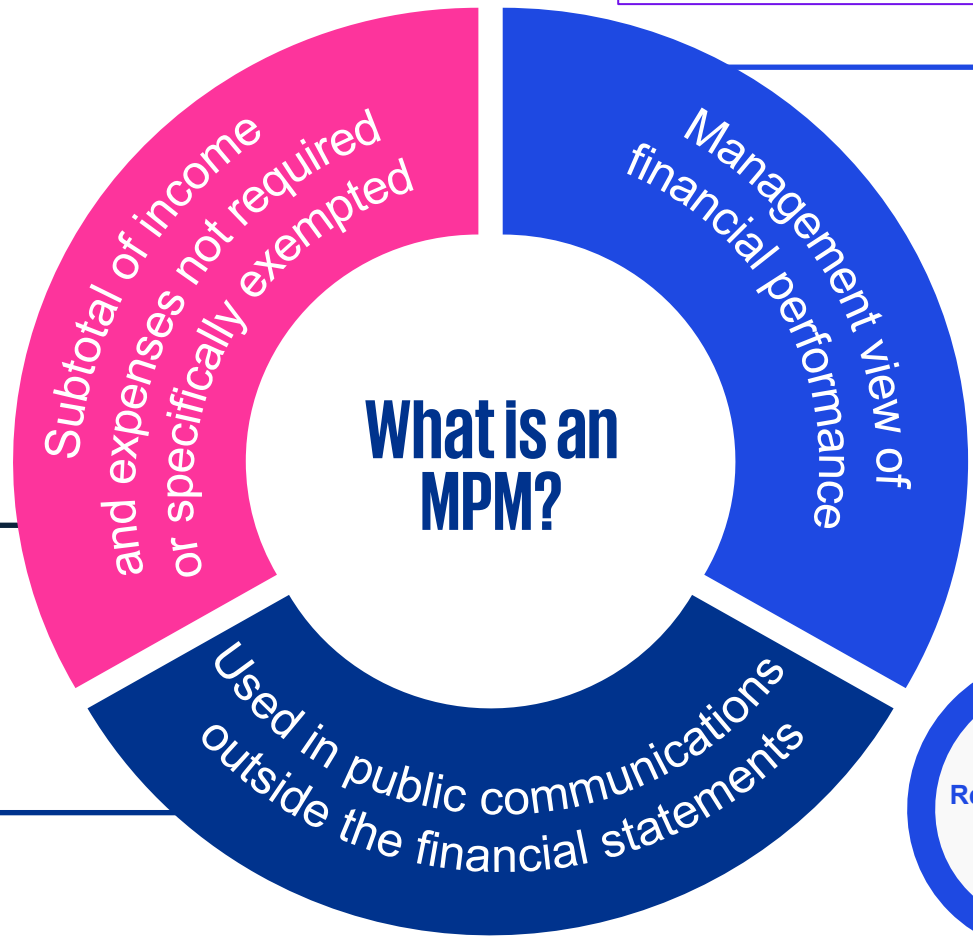
**IFRS specified**

- Gross profit
- Operating profit
- Operating profit before depreciation, amortisation and impairments in the scope of IAS 36

**MPMs**

- Adjusted profit
- Adjusted operating profit
- Adjusted EBITDA

**Watch! MPMs are often building blocks for ratios**




**Public communications include:**

- Front-half of annual reports
- Press releases
- Investor presentations

**Public communications exclude:**

- Oral communications (including transcripts)
- Social media posts

**Reminder! ESMA Guidance**

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# Polling question 1: MPMs



**Background:**

Company X presents Return on Capital (RoC) in its Management Commentary, calculated as Adjusted Operating Profit / Equity.

**Question:**

Does RoC meet the definition of an MPM under IFRS 18?

**A** No – ROC is a financial ratio and is not an MPM because it is not a subtotal of income and expenses.

**B** Yes - RoC is an MPM because it is based on an adjusted profit measure that is a subtotal of income and expenses.

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# Polling question 2: MPMs

**Background:**

We have confirmed RoC, calculated as Adjusted Operating Profit / Equity, is not an MPM under IFRS 18.

**Question:**

Does presenting RoC create any additional IFRS 18 MPM disclosure requirements in the financial statements?

**A** Yes – because RoC uses AOP as the numerator. AOP is an MPM, and so it must be included in the IFRS 18 note with relevant MPM disclosures.

**B** No as ROC is not an MPM, no additional disclosures are required in the IFRS 18 note.

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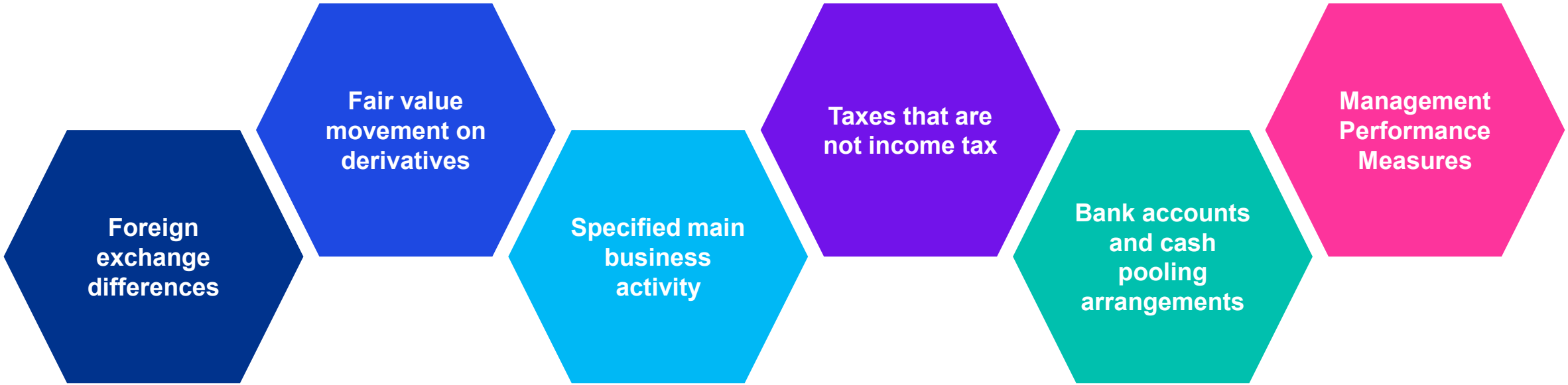
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# 06 Potential challenges and current discussion points




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# 06 Practical considerations

## 01

### New judgements and assessments

For example, assessment of:

- Main business activities
- Which income and expenses belong in each category
- Which existing non-GAAP measures fall in scope of MPMs
- Whether the current level of aggregation and disaggregation is appropriate

## 02

### New or updated processes and systems

- Review charts of account
- Update transaction recording systems
- Revise consolidation processes
- New data collection points for new or updated disclosure notes
- Design revised control procedures

## 03

### Arrangements linked to financial performance

Review and possibly amend:

- Covenant tests
- Remuneration arrangements
- Bonus schemes

## 04

### Investor communications

- Revisit discussion of non-GAAP measures in public communications
- Early communication on how reported information will change

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# 07 Next steps

## Step 1: Workshop

- Understand the new requirements, what applies to you and what the high-level impact may be for your business

## Step 2: Impact assessment

- Review your existing income statement and disclosures in detail - identify all impacted areas
- Review other arrangements such as covenants or remuneration policies to identify if there are any impacts
- Identify changes to any investor communications and APMs

## Step 3: Systems impact assessment & technical papers

- Prepare technical papers to set out your application of IFRS 18, including decisions on key judgements and new policies
- Explore options to update existing systems, processes, controls and arrangements (e.g. transfer pricing)
- Set out a detailed project plan. This plan will clearly identify the specific activities, roles and responsibilities, governance for the project and detailed timeline

## Step 4: Implementation

- Explain planned changes to auditors and other stakeholders
- Implement changes to existing systems, processes and controls
- Embed new ways of working and upskill the business, including training to staff

## Step 5: Test & report

- Test output from revised processes and systems
- Prepare or review draft disclosures and new income statement format

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# Q&A

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