IFRS 18 Presentation and Disclosure in Financial Statements

Issued	Replaces	Effective	Application
April 2024 — IASB	IAS 1	1 January 2027	Retrospective — prior period comparatives restated

WHAT IS IFRS 18?

IFRS 18 is the new IFRS standard for presentation and disclosure in financial statements, replacing IAS 1 from 1 January 2027. It is the most significant change to income statement structure since IAS 1 was last substantially revised in 2007. The standard introduces defined categories for income and expense, three mandatory subtotals, and a new regulated disclosure category for Management Performance Measures (MPMs).

SIX FUNDAMENTAL CHANGES

1 Five defined P&L; categories

Operating, Investing, Financing, Income taxes, Discontinued operations. All items must be classified. Previously, classification was largely at management's discretion.

2 Three mandatory subtotals

Operating profit; Operating profit + integral associates/JVs; Profit before financing and tax. All must appear on the face of the income statement — not in notes.

3 Management Performance Measures

MPMs (Adjusted EBITDA, Underlying Profit, etc.) must be disclosed in notes with a reconciliation to the nearest IFRS 18 subtotal, explanation, and tax/NCI effect.

4 Integral vs non-integral associates

Associates/JVs integral to the main business sit between Subtotals 1 and 2. Non-integral associates sit in the Investing category. This split is new and material for many groups.

5 Unusual items

Items with limited predictive value from events clearly distinct from ordinary activities must be separately disclosed when material — on face or in notes.

6 Cash flow classification alignment

IAS 7 amended — interest and dividends in the cash flow statement must be classified consistently with IFRS 18's income statement categories. Removes current IAS 7 policy choice.

ADVISORY ACTIONS FOR MEMBER FIRMS

2025–26	**Impact assessment** Map client P&L; to five categories. Identify integral/non-integral associates. Inventory all MPMs from public communications. Model new subtotals.
Mid 2026	**Design & systems** Redesign chart of accounts. Update ERP. Design MPM note template. Draft restated FY2025 P&L; using new structure. Brief audit committee.
2026–27	**Parallel run & first reporting** Run new structure in parallel. Resolve classification judgements. Agree MPM disclosures with auditors. Prepare FY2026 restated comparatives.

Who Is Affected? All entities that prepare financial statements under IFRS Standards — including EU-listed groups, subsidiaries reporting under IFRS, and entities in the 140+ jurisdictions that have adopted IFRS. The standard applies to annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective restatement of prior period comparatives is required.

Source: IFRS 18, Presentation and Disclosure in Financial Statements (IASB, April 2024). This overview is for general informational purposes only and does not constitute professional advice. Always refer to the authoritative text.