

The background of the entire page is a photograph of a large white sailboat with its sails up, sailing on a dark blue ocean under a bright blue sky with wispy clouds. The boat is positioned on the right side of the frame, moving towards the left.

IFRS 18
The Critical Shift
in Financial Reporting
Are You Ready?

A New Standard for Presenting Financial Performance

The International Accounting Standards Board issued IFRS 18 – Presentation and Disclosure in Financial Statements in April 2024. The standard will replace IAS 1 – Presentation of Financial Statements and will be effective for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted.

While 2027 may seem distant, IFRS 18 should not be treated as a last-minute compliance exercise. The standard will affect how companies present financial performance, define key measures, structure their income statement, and communicate results to investors, lenders, boards, and other stakeholders.

In simple terms, IFRS 18 changes how companies tell their financial performance story.

Why IFRS 18 Matters

IFRS 18 has been introduced to improve the comparability, transparency, and usefulness of financial statements. For many years, users of financial statements have found it difficult to compare performance between companies due to different presentation formats and inconsistent use of measures such as operating profit, adjusted EBITDA, normalized profit, and other performance indicators.

The new standard introduces clearer rules around presentation and disclosure, particularly in the statement of profit or loss.

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Key Changes Introduced by IFRS 18

A More Structured Income Statement	<p>IFRS 18 introduces defined categories and required subtotals in the statement of profit or loss, including operating profit. This will provide users with a clearer view of the company's core performance and make financial results more comparable across entities.</p> <p>For companies, this may require reassessing how income and expenses are classified between operating, investing, financing, income tax, and discontinued operations.</p>
Disclosure of Management Performance Measures	<p>Many companies use internal or externally communicated performance measures such as adjusted EBITDA, recurring profit, normalized earnings, or other KPIs.</p> <p>Under IFRS 18, certain management-defined performance measures will require specific disclosures, including explanations, calculation basis, and reconciliation to IFRS-defined totals or subtotals.</p> <p>This means companies will need to ensure their performance measures are clearly defined, consistently calculated, supportable, and properly documented.</p>
Better Aggregation and Disaggregation	<p>IFRS 18 introduces stronger requirements on how information is grouped or separated in the financial statements and related notes. Companies will need to avoid overly broad line items that hide important information, while also avoiding unnecessary detail that reduces clarity.</p> <p>This may require a review of existing financial statement line items, note disclosures, chart of accounts, and reporting templates.</p>

Why Companies Should Start Preparing Now

IFRS 18 is not only a financial statement formatting change. It may affect internal reporting, budgeting, KPI reporting, system mapping, chart of accounts, audit documentation, and stakeholder communication.

Early preparation will help companies:

- Identify the expected impact on financial statements;
- Assess changes required to the chart of accounts and reporting templates;
- Align management reporting with IFRS presentation requirements;
- Review adjusted EBITDA, operating profit, and other performance measures;
- Prepare comparative information in advance;
- Reduce audit review challenges during implementation.

Companies that wait until 2027 may face avoidable pressure during financial close, audit review, and board reporting.

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How We Can Support

We support companies through a practical and structured IFRS 18 implementation approach, including:

IFRS 18 Impact Assessment	Reviewing current financial statements, management reports, KPIs, and chart of accounts to identify expected changes.
Income Statement Classification Review	Assessing how income and expenses should be classified under the new IFRS 18 categories.
Management Performance Measures Review	Reviewing adjusted EBITDA, operating profit, recurring earnings, and other KPIs to determine disclosure and reconciliation requirements.
Financial Statement Redesign	Updating financial statement formats, note disclosures, and reporting templates.
Implementation Roadmap	Developing a clear action plan covering reporting changes, system mapping, comparative information, responsibilities, and audit readiness.
Training and Awareness	Providing practical sessions for finance teams, management, audit committees, and boards.

Final Thought

IFRS 18 is more than a replacement for IAS 1. It introduces a new discipline around how companies present performance, explain results, and communicate financial information.

Early preparation will help companies achieve smoother implementation, stronger audit readiness, and clearer communication with stakeholders.

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Contact Us

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