IFRS 18 Webinar – Introduction & Implementation Guide

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Agenda

1. Understanding why IFRS 18 was introduced
2. Discuss key changes
3. Income statement new structure
4. Understanding operating categories
5. Understanding investment categories
6. Management Defined Performance Measures (MPM)
7. Implementation guide and best practices
8. Discussions

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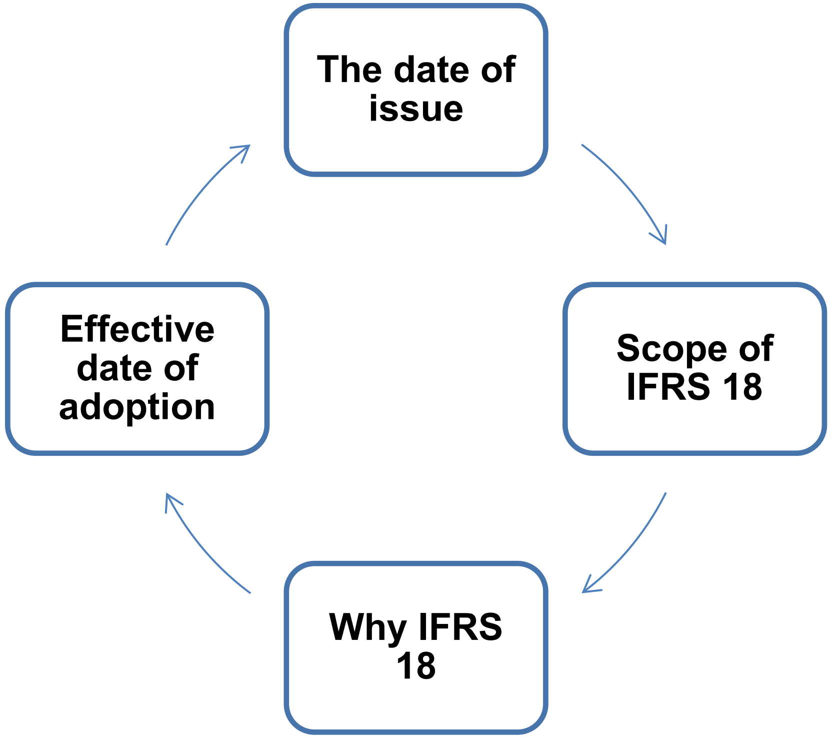
IFRS 18 - A new era in financial reporting

FOCUS AREA



IFRS 18 introduces a fundamental shift in how income and expenses are presented in financial statements. More than a technical update, this new standard represents a strategic change in how businesses communicate financial results and build trust with stakeholders. Its goal is to enhance transparency, comparability, and clarity for investors and other stakeholders.

This standard tackles long-standing challenges by:

- Requiring **consistent subtotals** across entities to improve comparability
- Introducing **management-defined performance measures** to enhance transparency.
- Providing a enhanced guidance to make the grouping of information in the financial statement more useful.

IFRS 18 becomes mandatory for annual reporting periods beginning **January 1, 2027**. It applies to all entities preparing financial statements under IFRS, with early adoption permitted for organizations seeking proactive alignment with global best practices.

IFRS 18- **Topics substantially unchanged from IAS 1**

Many requirements in IAS 1 were brought forward into IFRS 18 (or other IFRS Accounting Standards) substantially unchanged. A significant number of requirements from IAS 1 have been relocated to IAS 8 Basis of Preparation of Financial Statements (renamed from Accounting Policies, Changes in Accounting Estimates and Errors)

Topic	Summary
Most requirements applicable to the preparation of primary financial statements other than the statement of profit or loss	IFRS 18 does not significantly affect how the other primary financial statements (e.g. statement of financial position, statement of cash flows, statement of changes in equity, etc.) are prepared other than the introduction of new aggregation and disaggregation requirements (see section 4), with some exceptions, such as those noted above applicable to: ▸ The statement of financial position (separate presentation of goodwill); and ▸ The statement of cash flows (operating profit or loss being the starting point for the indirect method and the reduction of classification options for interest and dividend cash flows).
Fair presentation and compliance with IFRS Accounting Standards	Relocated to IAS 8 substantially unchanged.
Going concern	Relocated to IAS 8 substantially unchanged.
Offsetting	Substantially unchanged from IAS 1.
Frequency of reporting	Substantially unchanged from IAS 1.
Comparative information	Substantially unchanged from IAS 1.
Consistency of presentation	Substantially unchanged from IAS 1.

Topic	Summary
Current/non-current classification of assets and liabilities	Substantially unchanged from IAS 1, including amendments made to IAS 1 affecting the classification of loans as current vs. non-current, which became effective for annual reporting periods beginning on or after 1 January 2024
Structure of notes	Substantially unchanged from IAS 1.
Disclosure of accounting policy information	Relocated to IAS 8 substantially unchanged.
Disclosures about judgements and sources of significant estimation uncertainty	Relocated to IAS 8 substantially unchanged.
Capital disclosures	Substantially unchanged from IAS 1.
Disclosures about puttable financial instruments classified as equity	Relocated to IFRS 7 substantially unchanged.
Miscellaneous other disclosures (declared dividends, cumulative preference dividends not recognised, domicile and legal form, description of the nature of the entity's operations, etc.)	Substantially unchanged from IAS 1.

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IFRS 18 - **Key Changes** – Mandatory categories/Sub-totals (Income & expenses)

Category	Description
Operating category	Comprises all the income and expenses arising from the entity's main business activities, including the income or expenses that are volatile or non-recurring arising from these activities.
Investing category	Comprises the income and expenses from: • Investments in associates and joint ventures. • Unconsolidated subsidiaries measured at fair value through profit or loss. • Cash and cash equivalents. • Other assets if they generate a return individually and largely independently of the entity’s other resources.
Financing category	Comprises interest expenses, including the unwinding discounting effect for provisions, net interest cost (or interest income) on defined benefit plan; and income and expenses arising from a change in interest rates.
Income taxes category	These are income tax expenses or tax income calculated or derived in line with IAS 12 Income taxes.
Discontinued operations categories	These are income and expenses arising from discontinued operation in line with IFRS 5 Non-current assets held for sale and discontinued operations.

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IFRS 18 - **Key Changes:** Classification of Income and expense

Line item		Classification
Revenue	XXX	Operating category
Cost of sales	XXX	
Gross profit	XXX	
Other operating income	XXX	
Selling expenses	XXX	
Research and development	XXX	
General and administrative	XXX	
Operating profit	XXX	Mandatory specified subtotal
Fair value gains on investments in equity instruments	XXX	Investing category
Profit before financing and income taxes	XXX	Mandatory specified subtotal[1]
Interest expense on borrowings and lease liabilities	XXX	Financing category
Profit before income taxes	XXX	Additional subtotal
Income tax expense	XXX	Income taxes category
Profit from continuing operations	XXX	Additional subtotal
Loss from discontinued operations	XXX	Discontinued operations category
Profit	XXX	Mandatory total

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IFRS 18 - **Key Changes :** Key Principles for Classifying Operating items

Main Business Activities

Assess the entity's core revenue-generating activities such as manufacturing, services, or retail to determine what falls under operating.

Directly Related Items

Income and expenses that are directly tied to these core operations are classified within the operating category.

Relevant Financial Items

Foreign exchange differences and gains/losses on derivatives, when linked to operating activities, are also included here.

Exclusions

Items predominantly related to financing or investing activities are explicitly excluded from the operating category to maintain clarity.

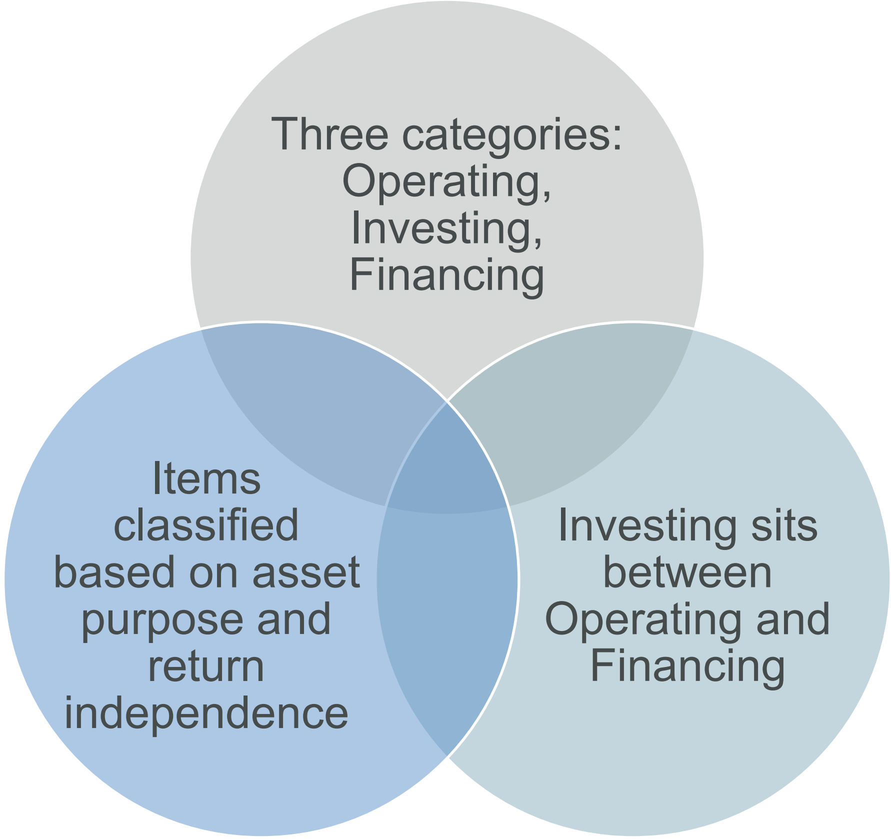
IFRS 18 - Core Definition of Investing Activities

Income/expenses from assets generating returns independently

Includes fair value gains, dividends, interest (if not core business)

Includes non-integral associates/JVs

Position of Investing Activities



IFRS 18 - Key Judgement Areas – Investing Activities

Assess	Assess purpose of holding the asset
Determine	Determine whether asset supports core operations
Evaluate	Evaluate independence of returns

Associates & Joint Ventures

Integral associates/JVs ?
Operating

Non-integral associates/JVs ?
Investing

Classification driven by contribution to core business

Investing vs Operating Distinction

- Operating items support main business outputs
- Investing items produce independent returns
- Financing relates to raising capital and interest costs

Presentation & Subtotals (Investing)

- Investing sits between Operating profit and Financing result
- No mixing items across categories
- Maintain consistency across periods

IFRS 18 - Disaggregation requirements

Investing vs Financing: Common Errors

- Misclassifying interest income
- Classifying strategic equity gains as Operating
- Netting gains/losses across categories

Disaggregation - check

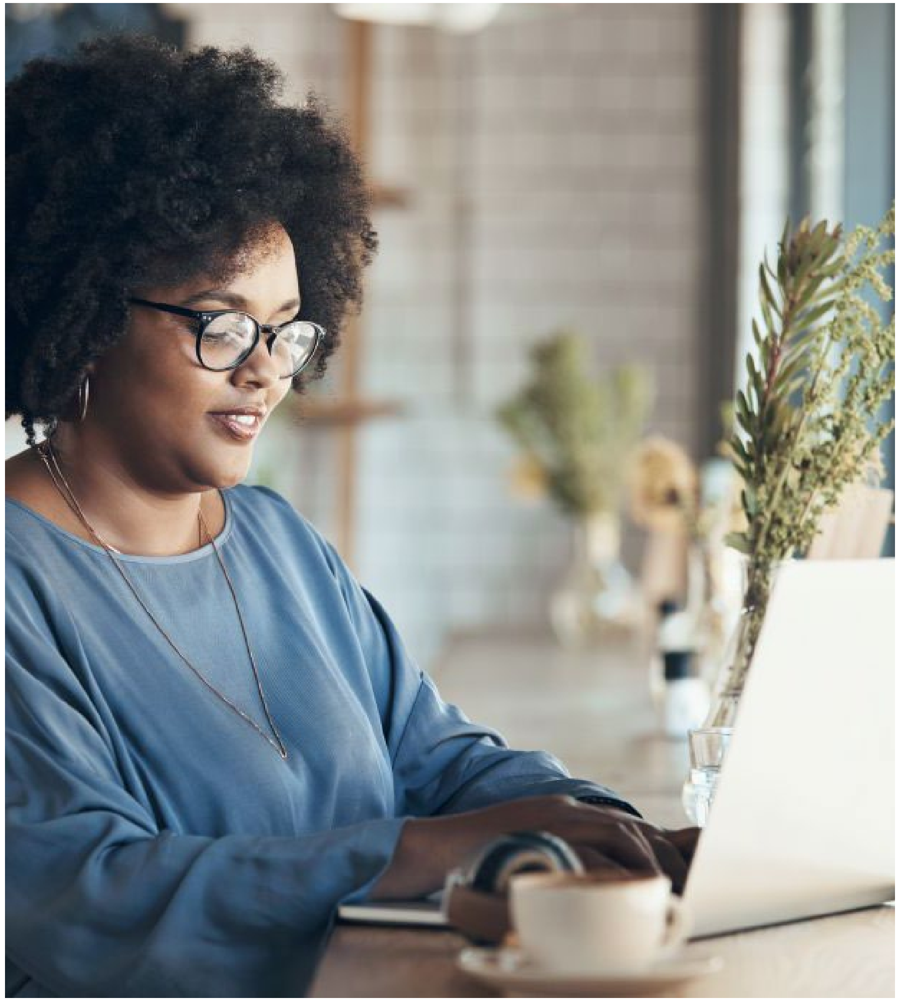
1. Separate significant items affecting analysis
2. Disaggregate FV gains, interest income, disposal gains
3. Ensure clear labelling and categorization

IFRS 18 - Transition guidance & examples

Retrospective application

Re-map comparatives to new categories

Industries: Financial services, Oil & gas, real estate, manufacturing examples



IFRS 18 – Management Defined Performance Measure (MPMs)

Definition of MPMs
MPMs are internal financial metrics used by management to assess performance beyond IFRS standards.

Transparency and Justification
IFRS 18 requires companies to justify the relevance and usefulness of each disclosed MPM.

Reconciliation Requirement
MPMs must be reconciled with closest IFRS line items to ensure clarity and prevent misleading information.

Role of MPMs
MPMs bridge internal management insights with external financial reporting, enhancing accountability and comparability.

IFRS 18 - Examples and Importance of MPMs

Common MPM Examples
Adjusted EBITDA, Core Operating Profit, and Normalised Net Income are widely used Management-Defined Performance Measures.

Investor and Analyst Use
Investors rely on MPMs to assess profitability trends and forecast future business performance accurately.

Purpose of MPMs
MPMs isolate underlying business performance by excluding one-off items to ensure comparability over time.

Regulatory Framework
IFRS 18 mandates transparency, justification, and reconciliation to prevent misuse of MPMs.

Thank you!