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# Implementation of IFRS 18

## *Presentation and Disclosure in Financial Statements*

Panel discussion

## Moderator



**Patrina Buchanan**  
IASB Member

## Panellists



**Raymond  
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**Carolyn  
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European Union  
Sweden

### **IASB technical team:**

- Aida Vatrenjak, IASB Technical Director
- Nick Barlow, IASB Technical Staff

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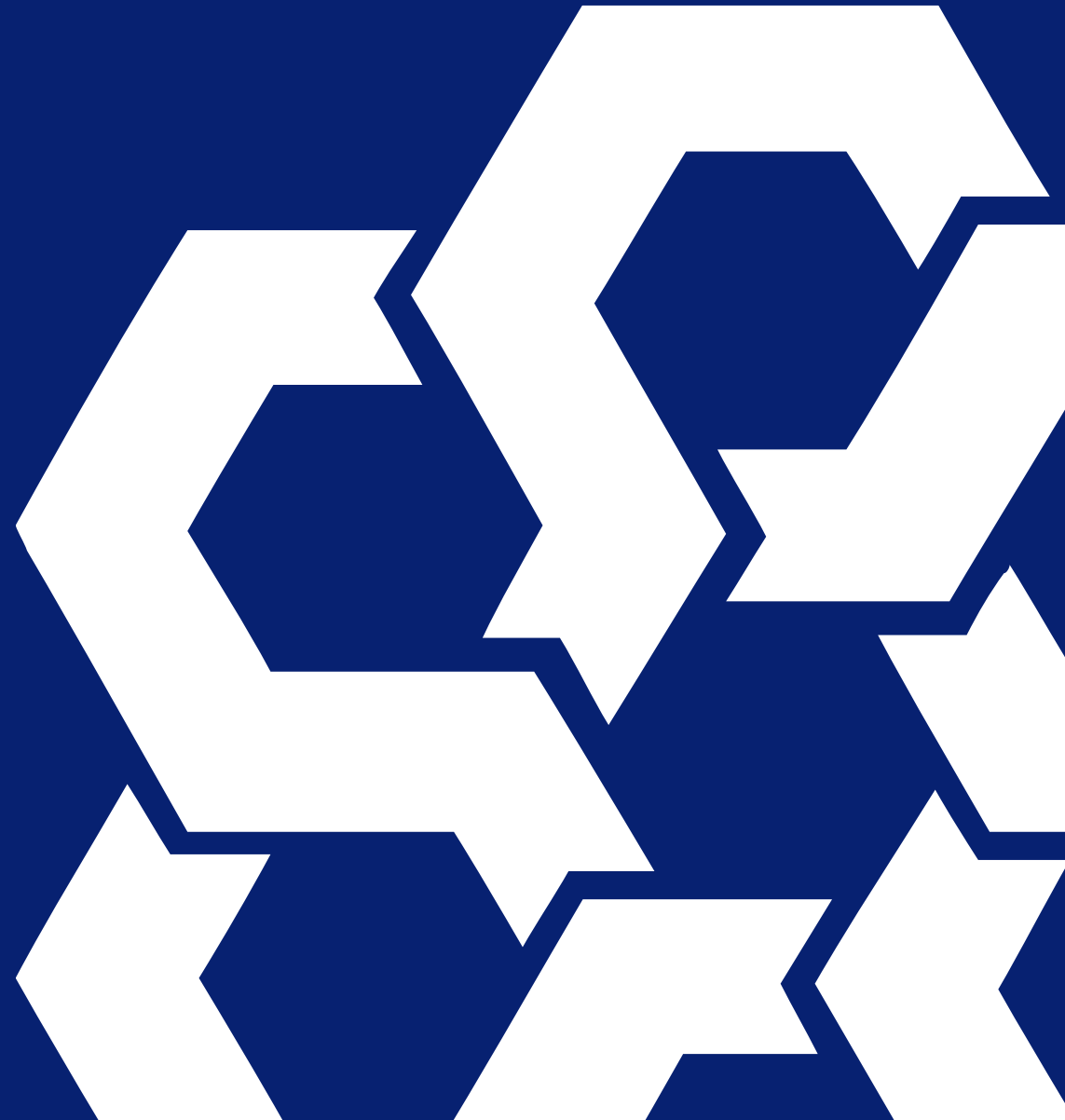
## Main topics for discussion

**1** Expected effects of IFRS 18

**2** IFRS 18 implementation

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## Overview of IFRS 18



# IFRS 18 – the new requirements



New required subtotals in statement of profit or loss, including 'operating profit'



Disclosures about management-defined performance measures (MPMs)



Enhanced requirements on grouping of information (aggregation and disaggregation)

## **Better information for better decisions**

– increases comparability, transparency and usefulness of information



**Effective date:** 1 January 2027  
– early application permitted

# New required subtotals

## Operating profit

Gives a complete picture of a company's operations

## Profit before financing and income taxes

Gives a picture of a company's performance before the effects of its financing

## Statement of profit or loss

Revenue

Cost of sales

**Gross profit**

Other operating income

Selling expense

Research and development expenses

General and administrative expenses

Goodwill impairment loss

Other operating expenses

**Operating profit**

Share of profit or loss of associates and joint ventures

Investment property income

**Profit before financing and income taxes**

Interest expense on borrowings and lease liabilities

Interest expense on pension liabilities and provisions

**Profit before income taxes**

Income tax expense

**PROFIT**

Operating

Investing

Financing

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# Management-defined Performance Measures (MPMs)

**Subtotals of income and expenses** not specified by IFRS Accounting Standards (or specifically exempted)

Included in **public communications outside financial statements**

Measures that communicate **management's view** of an aspect of a company's financial performance

**Examples of alternative performance measures (APMs) or non-GAAP measures used today**

- Adjusted operating profit
- Adjusted profit or loss
- Adjusted EBITDA
- Free cash flow
- Return on equity

# Enhanced requirements on grouping information

## Roles of primary financial statement and the notes

Primary financial statements are to provide a useful structured summary

Notes are to provide further information and supplement the primary financial statements

## Principles for aggregation and disaggregation

Considering similar and dissimilar characteristics:

- presenting in the primary financial statements would result in a useful structured summary
- disclosing in the notes would result in material information

Single dissimilar characteristic can be enough to disaggregate if resulting information is material

Meaningful labels, 'other' if unable to find informative label

## Requirements for presenting and disclosing operating expenses

If one or more expenses presented by function, then disclose the amounts included in each line item in the operating category of the statement of profit or loss for:

- Depreciation
- Amortisation
- Employee benefits
- Impairments and write-downs



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# Implementation of IFRS 18 *Presentation and Disclosure in Financial Statements*

World Standard Setters Conference

30 September 2025

Raymond Chamboko



# Emerging Themes

- Aggregation and Disaggregation
- Statement of financial performance
- Determination of Main Business Activities
- Management Performance Measures

# Overview of main areas of expected change in information reported by companies

- Aggregation and Disaggregation of Information
  - Concern that there may be a need for regular change and impact on comparatives as business responds to dynamic world and changes in circumstances or their composition
  - Understanding the extent to which disaggregation will be required or deemed sufficient
  - Marrying narrative provided by management with the extent of aggregation/ disaggregation
  - Considering the fine line between necessary disclosure and obscuring the message contained in the financial statements

# Overview of main areas of expected change in information reported by companies

- Statement of financial performance
  - Treatment of expenses
    - Insurance service costs
    - Foreign currency gains and losses on
      - External loans secured
      - Leases
      - Intercompany loans
    - Fair value gains and losses allocation
  - Impact on calculation of ratios and debt covenants

# Overview of main areas of expected change in information reported by companies

- Management Performance Measures
  - Consideration of local regulations
  - Are regulatory disclosures considered to be MPMs even if not used by Management?

# Overview of main areas of expected change in information reported by companies

- Main Business Activity
  - Banking –
    - Are lending activities and investments in assets effectively operating?
    - How much proof required to demonstrate investing?
    - Regulatory assets – part of main business activity?
  - Diverse Groups
    - Possible challenges in determining main business activities for groups with diverse operations and activities
  - Impact of changes to main business activities



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# Implementation of IFRS 18

## *Presentation and Disclosure in Financial Statements*

World Standard Setters Conference

30 September 2025

Fredrik Walméus



RÅDET FÖR HÅLLBARHETS- OCH  
FINANSIELL RAPPORTERING



# Main effects implementing IFRS 18

- ▶ Overall feedback so far
  - More than fixing the chart of account balances
  - Impact on KPIs – how and when will you communicate and explain changes?
  - MPMs vs APMs
- ▶ Some industries more affected than others
  - Real estate
  - Construction industry
  - Extractive
  - Automotive
  - Some retailers


# Main effects implementing IFRS 18

## ► Profit or Loss

- Moving equity accounted investments to Investing
- Treasury related
  - Removing finance net – new challenges
  - Foreign currency
  - Hedging related issues/changes
- Contingent considerations
- New line items or additional subtotals?
- Some interest to change to a Mixed Presentation Format
- Specified main business activities – for example selling goods and providing finance to customers
- Classification of some type of expenses related to assets that generate returns independently
- Use of other (including other statements and in the notes) currently "debated"

# Main effects implementing IFRS 18

## ▶ Other

- Changes to the cash flow statements impacting certain key cash flow KPIs
  - Disclosure requirements for costs by nature when presenting P/L by function will in many cases require changes to data collection
  - Disaggregation/Aggregation
  - Digital reporting?
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# Implementation of IFRS 18 *Presentation and Disclosure in Financial Statements*

World Standard Setters Conference

30 September 2025

Carlos Valle Larrea






# Summary of the impact of IFRS in Latin America

Cases of jurisdictions	Listed companies	Banks, insurance companies, pension funds and other regulated entities	Not listed companies
<b>Local GAAP is IFRS (except most regulated entities)</b>	IFRS Accounting Standards	Standards of national regulators (most entities)	IFRS Accounting Standards or IFRS SMEs (depending on the thresholds established in each jurisdiction)
<b>There is a Local GAAP</b>	IFRS Accounting Standards (most jurisdictions)	Standards of national regulators (most entities)	Local standards generally seek to align with IFRS Accounting Standards (not necessarily with IFRS SMEs).



# Current status of IFRS 18 implementation in Latin American companies

	Training	Diagnosis	Implementation	Early adoption
Listed companies	✓	✓	✓	
Banks, insurance companies, pension funds and other regulated entities	✓	✓		
Unlisted subsidiaries of foreign companies	✓	✓	✓	
Unlisted stand-alone companies	✓			

# Relevant aspects of IFRS 18 implementation in Latin America

Level of complexity	Subject	Relevant cases identified
High 	Presentation of income and expense items	Difficulties with the allocation of exchange rate differences and inflation effects Individual cases of banks and insurance companies
High 	Need for adjustments in ERP, reporting processes and taxonomies.	Adaptation of account plans Update accounting policies, catalogs and proformas.
High 	Other uses of financial information prepared under IFRS 18	Forms required by regulators and Tax Administration Transfer pricing methodologies

# Relevant aspects of IFRS 18 implementation in Latin America

Level of complexity	Subject	Relevant cases identified
Medium 	Understanding the new income statement format	Management is very accustomed to the IAS 1 format. Explanations to regulators, fund providers and other stakeholders
Medium 	Identification of main activities	Difficult to identify in groups with diversified activities. The perspective of the consolidated information may differ from that of the separate financial statements.



# Relevant aspects of IFRS 18 implementation in Latin America

Level of complexity	Subject	Relevant cases identified
Medium 	MPMs	Reconciliation with the information shown in PL Discrepancies in the concepts to be considered in each MPM

# Activities carried out by Latin American standard-setters

- Composition of technical groups
- Training (preparers, reviewers, regulators, guilds)
- Exchange of experience among the countries of the region (regional meeting in Peru in November 2025)
- Review and update of local technical pronouncements

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# Implementation of IFRS 18

## *Presentation and Disclosure in Financial Statements*

World Standard Setters Conference

30 September 2025

Dr Carolyn Cordery

**EXRB**

Te Kāwai Ārahi Pūrongo Mōwaho  
EXTERNAL REPORTING BOARD

# IASB visit to New Zealand – November 2024

## Visit from Linda Mezon-Hutter – Vice-Chair of the IASB



### Event 1 - Directors

IFRS 18 and what's on the horizon from the IASB work programme



### Event 2 - Preparers

Panel discussion – implementation insights & challenges with IASB vice-chair, technical principal and NZ stakeholders.



# Educational material – one-page references

## Getting ready for NZ IFRS 18

**XRB** Te Kaitiaki Takekōwhiri  
EXTERNAL REPORTING BOARD

### Getting Ready for NZ IFRS 18

Mandatory from 1 January 2027

NZ IFRS 18 *Presentation and Disclosure in Financial Statements* aims to improve how information is communicated in the financial statements – particularly in the statement of profit or loss. NZ IFRS 18 replaces NZ IAS 1 *Presentation of Financial Statements* when applied.

#### Categories in the statement of profit or loss

NZ IFRS 18 requires income and expenses to be classified into five categories – operating, investing, financing, income taxes and discontinued operations.

NZ IFRS 18 also introduces two new mandatory sub-totals:

- Operating profit or loss – total of all income and expenses classified in the operating category.
- Profit or loss before financing and income taxes – total of operating profit or loss, and all income and expenses classified in the investing category.

These new requirements provide a consistent structure for the statement of profit or loss, which will improve comparability between entities.

There is no direct alignment between the new categories in the statement of profit or loss and those within the statement of cash flows. However, in many cases, transactions could be classified similarly in both statements.

Entities may need to adjust accounting systems to appropriately 'tag' and classify income and expenses into the new categories. This may be complex for entities with diverse operations with various main business activities and/or that use multiple reporting systems.

#### Management-defined performance measures (MPMs)

New disclosure requirements apply for MPMs, which are sub-totals of income and expense (such as 'underlying profit' or 'profit excluding exceptional items') that are used in public communications to users outside the financial statements to communicate management's view of an aspect of the entity's financial performance as a whole.

Entities may have one or more 'non-GAAP' measures used in their public communications that may (or may not) meet the definition of an MPM. Management will need to work with their investor relations / external communications teams to identify these measures and assess whether additional disclosures are required in the financial statements.

#### Grouping of information

Information in the financial statements is aggregated based on shared characteristics and disaggregated based on characteristics that are not shared (where material). Using 'other' to describe a group of items is also restricted – instead, entities should use the most informative label to describe that group of items.

If classifying operating expenses by function, additional information regarding certain expenses must be disclosed by nature – specifically depreciation, amortisation, employee benefits, impairment losses/reversals and write-downs/reversals of inventories.

#### Other changes

Statement of Cash Flows – Operating profit or loss\* must be the starting point for operating cash flows when using the indirect method. Presentation choices for interest & dividend receipts/payments have been removed for most entities.

Earnings Per Share – The numerator in additional 'per share' measures must be either a total, or subtotal, identified in NZ IFRS 18 or a disclosed MPM.

Interim Financial Reporting – Disclosure of new subtotals and MPMs are also required in interim financial statements and condensed financial statements.

For more resources, refer to the XRB NZ IFRS 18 webpage

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## Benefits and Costs Summary

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### NZ IFRS 18 Benefits and Costs Summary

Mandatory from 1 January 2027

The application of NZ IFRS 18 *Presentation and Disclosure in Financial Statements* will result in both benefits and costs for New Zealand stakeholders. The key benefits and potential costs are summarised below.

#### Benefits

**Improved information about financial performance**  
New subtotals for 'operating profit or loss', and 'profit or loss before financing and income taxes', and new categories of income and expenses within the statement of profit and loss, will provide consistently defined and comparable information to investors about an entity's performance and give investors a consistent starting point for their own analyses.

**Comparability of financial information**  
New principles around the grouping and labelling of information, new required subtotals and categories in the statement of profit or loss and disclosure requirements for management-defined performance measures (MPMs) will support understandability and comparability of information – either across entities, between reporting periods of the same entity, or both. Changes to the classification of interest and dividend cash flows will also make the statement of cash flows more comparable across entities.

**Transparency of alternative performance measures**  
New disclosure requirements for MPMs will help entities communicate their performance to investors, and help investors understand the entity's performance better. The inclusion of MPMs in the financial statements will make it easier for investors to access complete information about an entity's financial performance.

#### Other Effects

Effects on digital reporting – NZ IFRS 18 will impact on digital taxonomies with new data points, and result in longer term standardisation and comparability of key financial performance metrics provided directly from entities.

Effects on contracts, agreements and compensation – Entities may need to reconsider existing banking / loan agreements, and management remuneration policies, where the new NZ IFRS 18 disclosures and definitions impact on balances within the financial statements used in these contracts, agreements and policies.

#### Costs\*

**Potential costs for entities**  
Entities may incur both initial and ongoing costs for changing processes around preparing financial statements, determining main business activities, tracking underlying items giving rise to foreign exchange differences, training personnel and communicating changes to internal and external parties.

Entities may also incur costs to prepare MPM disclosures and reconciliations and ensure these are complete. There may also be costs in applying the aggregation and disaggregation principles and presenting operating expenses in a structure which provides useful information to stakeholders.

**Potential costs for investors**  
Investors may incur costs to adjust their models and methods of analysis to the new structure of the statement of profit or loss, and the additional information provided under NZ IFRS 18. This may also create costs when analysing long-term trend information where historical information may need to be adjusted.

**Potential costs for other stakeholders**  
Regulators and auditors may incur costs to develop resources and procedures to regulate and audit the new requirements – particularly around MPMs, which may require consideration of a company's internal controls over the completeness and accuracy of MPM disclosures.

\* This list of potential costs is not intended to be exhaustive or complete.

For more resources, refer to the XRB NZ IFRS 18 webpage

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## Illustration of new categories and subtotals

NZ IFRS 18 – Illustration of categories and subtotals in the statement of profit or loss	
Mandatory from 1 January 2027	
Category labels are not required to be presented	
Operating category (para 18-54)	Income and expenses that are not classified in other categories. This is the default category.
	If you have a specified main business activity (due to investing in assets or providing financing to customers) then some income and expenses that would have been classified in the investing or financing category would be classified in the operating category (refer to para 48-51). Refer to IASB Illustrative examples 1-2 and 1-3 for specific illustrative examples of this classification.
Example statement of profit or loss (Extract of IASB IFRS 18 Illustrative Example 1)	
Revenue Cost of sales Gross profit Other operating income Selling expenses Research and development costs General and administrative expenses Goodwill impairment loss Other operating expenses	
NEW MANDATORY SUBTOTAL (para 70)	
Operating profit (loss)	
Investing category (para 18-55)	Income and expenses from: - Investments in associates, joint ventures and unconsolidated subsidiaries - Cash and cash equivalents - Other assets that generate a return individually and largely independently of the entity's other resources
	Share of profit and gains on disposals of associates and joint ventures
NEW MANDATORY SUBTOTAL (para 71)	
Profit (loss) before financing and income taxes	
Financing category (para 18-56)	Income and expenses relating to liabilities arising from transactions involving only the raising of finance and incremental expenses directly attributable to the liability (e.g. transaction costs).
	Interest income / expenses and income / expenses arising from changes in interest rates for liabilities arising from transactions that do not only involve the raising of finance (excluding derivatives, hedging instruments, investment contracts with participatory features and insurance finance income / expenses).
Interest expenses on borrowings and lease liabilities Interest expenses on pension liabilities and provisions Profit before income taxes	
Income taxes category (para 18-57)	Tax expense or tax income that is included in the statement of profit or loss applying NZ IAS 12 Income Taxes and related foreign exchange differences.
	Income tax expenses
Discontinued Operations (para 18-58)	Income and expenses from discontinued operations as required by NZ IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.
	Profit from continued operations Loss from discontinued operations
EXISTING REQUIRED TOTAL (para 72)	
Total profit (loss)	
Profit attributable to: (Para 76) - Owners of the parent - Non-controlling interests	
Foreign exchange differences are classified in the same category as the income and expenses from the items giving rise to the differences (unless undue cost or effort is involved, in which case classify in the operating category) – see para 585-586. Gains and losses on derivatives and designated hedging instruments follow different classification requirements – see para 670-676.	
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All educational material is available on our [NZ IFRS 18 webpage](#)

# Educational material – monthly alerts

Monthly NZ newsletter  
(NZ IFRS 18 on the 18<sup>th</sup>)



## Monthly NZ IFRS 18 alerts

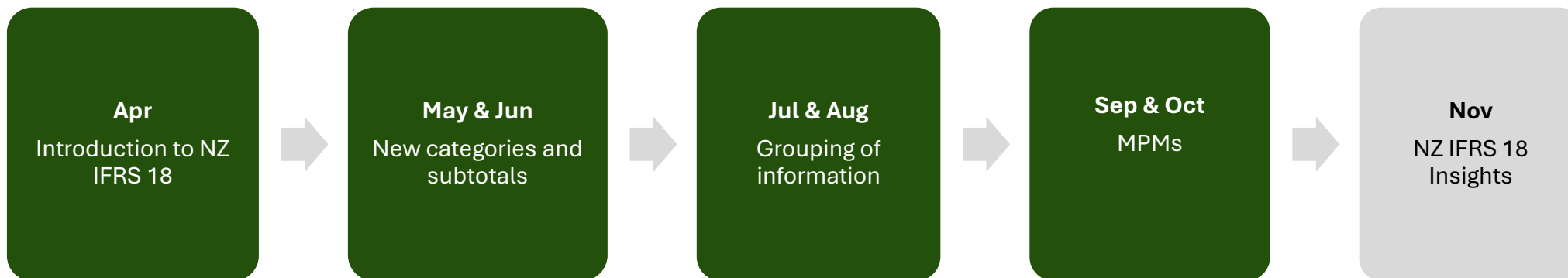
- Approximately 350 monthly subscribers
  - Mix of preparers, users and auditors
- Positive feedback from stakeholders



All educational material is available on our [\*\*NZ IFRS 18 webpage\*\*](#)



# Educational material – monthly alerts



Directed at preparers and auditors, focusing on areas where preparers might first require possible system changes.



Overview of new requirements and answers to expected common questions.

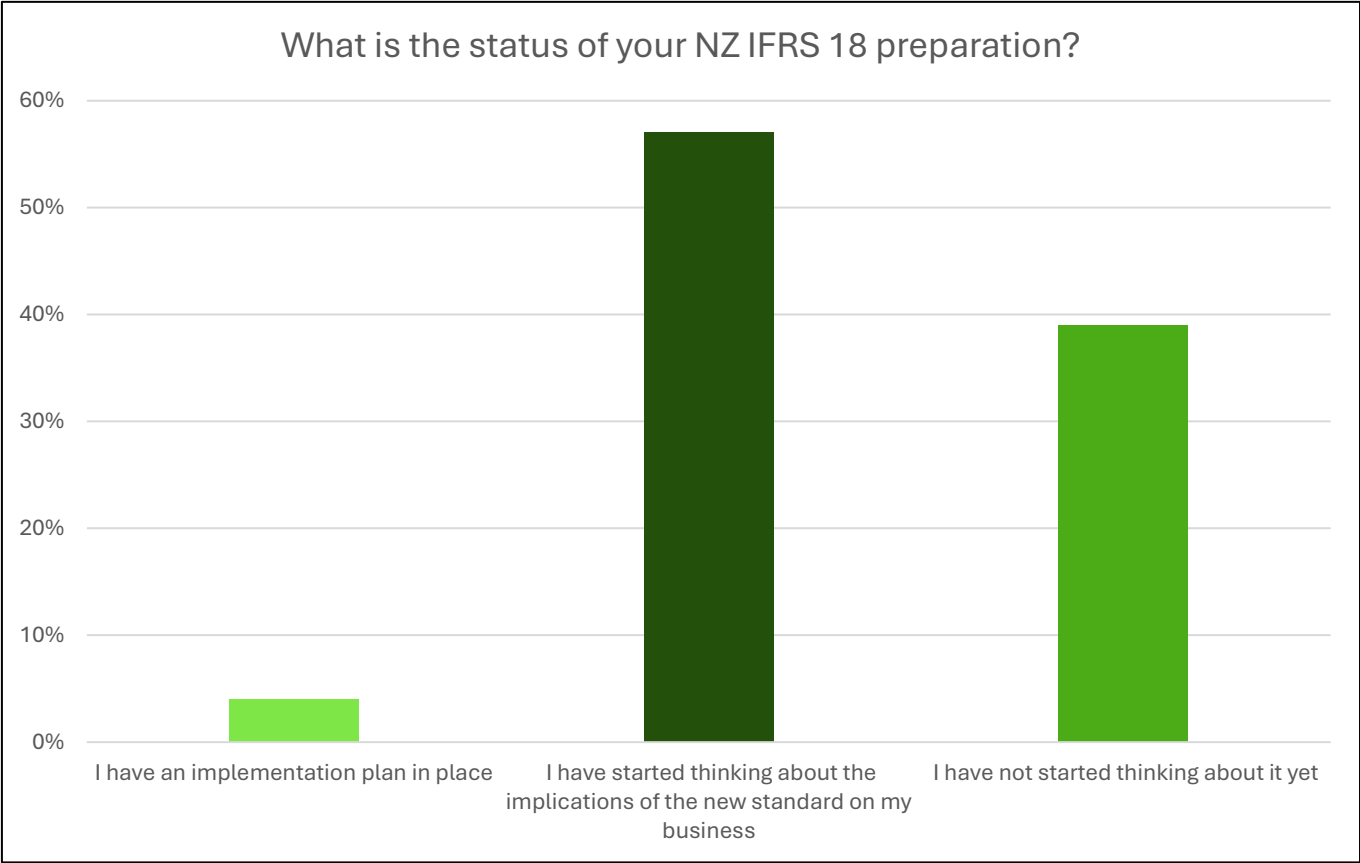


Key practical points to keep in mind when preparing for NZ IFRS 18 – including the perspective of users and communication with auditors.

All educational material is available on our [\*\*NZ IFRS 18 webpage\*\*](#)



# Status of implementation in New Zealand\*



\*this is based on participants feedback at an NZ IFRS 18 education session and might not be representative of full population



# New Zealand preparer event

## Community of practice event with preparers held in August 2025



### Audience

- Finance managers, controllers and key NZ IFRS 18 preparers.

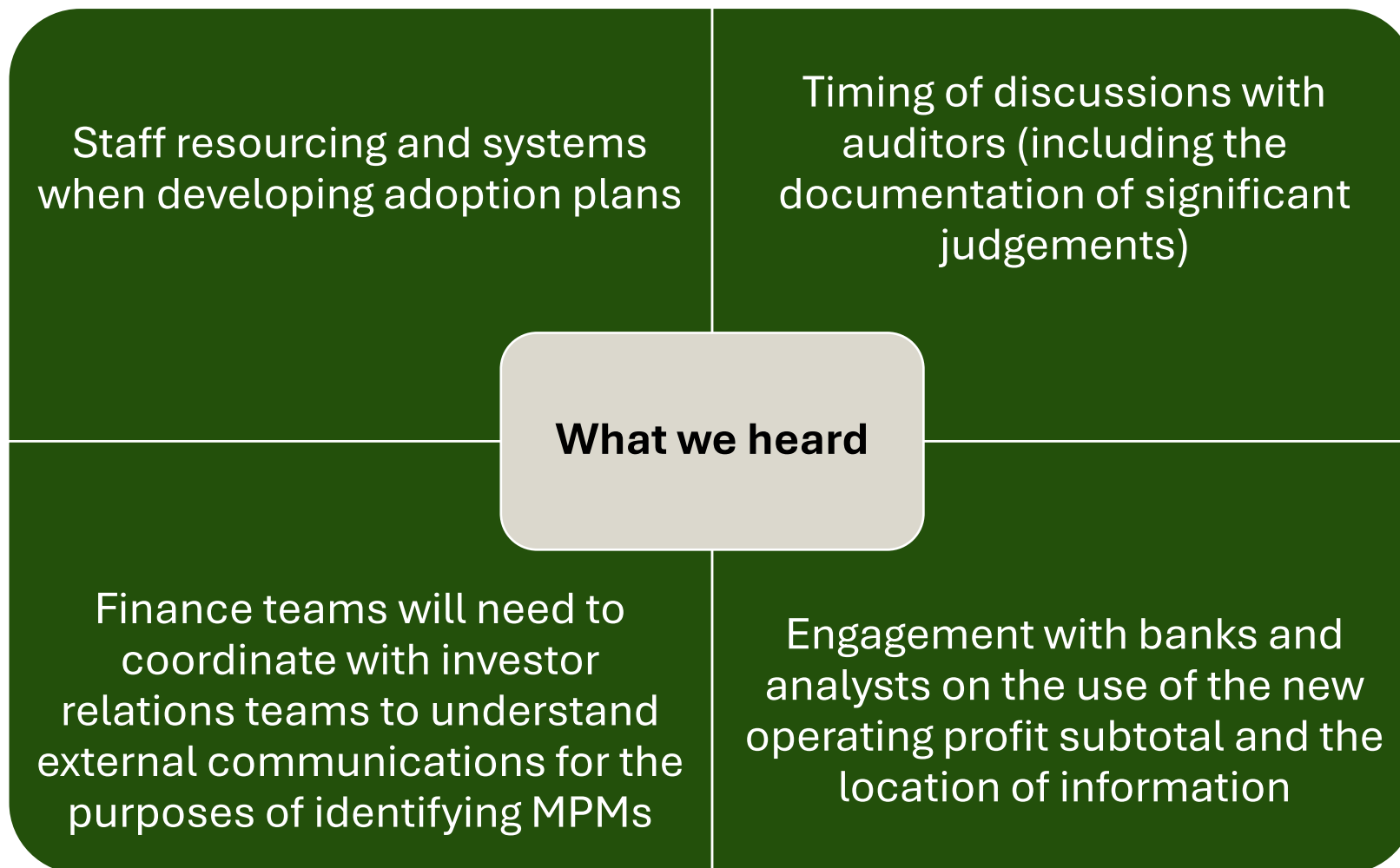
### Focus

- Early preparation, governance and engagement with users, banks and auditors.

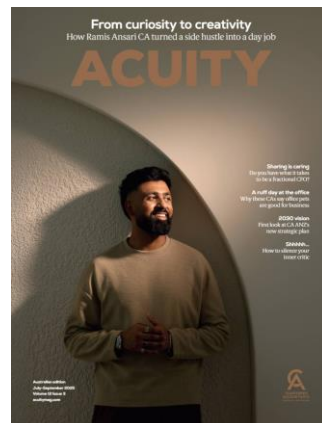
### Insights

- Current challenges and key considerations for implementation.

# New Zealand preparer event



# Other outreach and initiatives



**NZ IFRS 18 overview webcast**  
Summary of new requirements  
and timings

**CA ANZ “Acuity” Magazine  
Article**  
Call to prepare for NZ IFRS 18  
changes early



**Deep dive webinars** – Exploration of  
NZ IFRS 18 principles and their impacts

- New categories and subtotals
- Grouping of information
- Management-defined performance measures (To come)



All educational material is available on our **[NZ IFRS 18 webpage](#)**

# Next steps for New Zealand



**Continuing implementation support for preparers**



**Insights from 2026 early adopters (if any)**



**Focus on how financial statements will be used (user education)**

- Are users aware of the upcoming changes to the financial statement's presentation?
- Which totals or new subtotals will users be focusing on?
- How will directors, banks and analysts use new NZ IFRS 18 subtotals for their specific interests?
- How will MPM disclosures provide greater insights to users about how management assesses and monitors performance?



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Thank you  
*Mā te wā*



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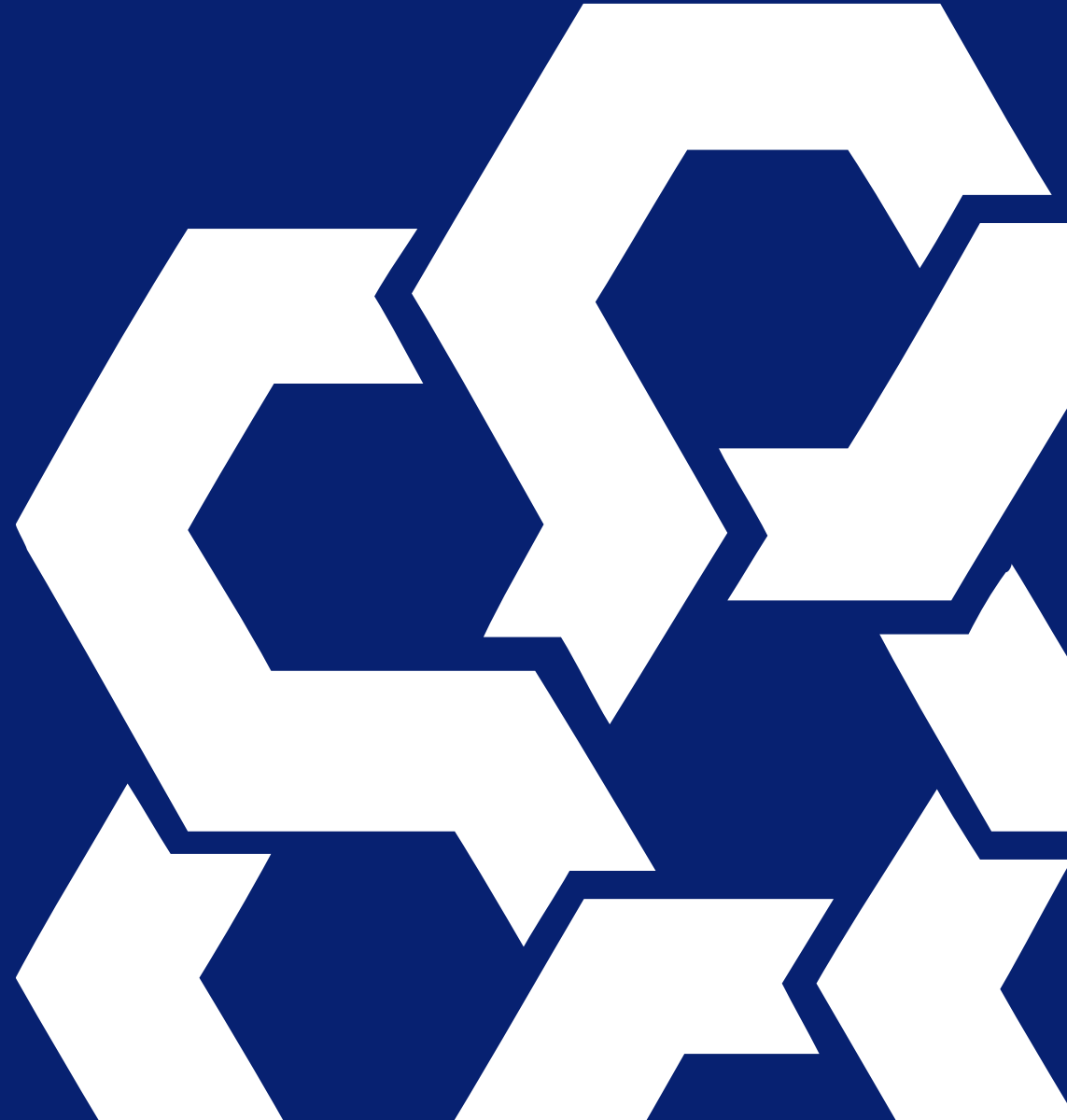


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## Statement of Cash Flows and Related Matters project



# IFRS 18: Changes to the statement of cash flows



Operating profit or loss subtotal to be the starting point for the indirect method of reporting cash flows from operating activities

Cash flows	Entities <b>without</b> specified main business activities	Entities <b>with</b> specified main business activities
Interest received	Investing activities	A single category for each item—operating, investing or financing categories
Interest paid	Financing activities	
Dividends received	Investing activities	
Dividends paid	Financing activities	Financing activities



# Statement of Cash Flows and Related Matters Project

## Objective

Assess potential ways to improve the requirements of IAS 7 *Statement of Cash Flows* in response to feedback on the Third Agenda Consultation and initial project research

## Topics the project will explore

### Investor priorities

- ☒ **Disaggregation** of cash flow information
- ☒ Reporting of information about **non-cash transactions**
- ☒ Transparency of information communicated about **cash flow measures** not specified in IFRS Accounting Standards

### Consistent application

- ☒ Consistent application of requirements to **classify cash flows** as operating, investing or financing
- ☒ Consistent application of the **definition of cash equivalents**

### Other

- ☒ Applicability of the statement of cash flows and other possible improvements for **financial institutions**



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