

Uniquus Insights

# Navigating IFRS 18: An Overview and Practical Considerations



# EXECUTIVE SUMMARY

The landscape of financial reporting continues to evolve rapidly, driven by demand from investors and other primary users for transparent, decision-useful information that offers clear, reliable, and comparable information relating to an entity's financial performance and position. In line with these emerging expectations, the International Accounting Standards Board ("IASB") has introduced International Financial Reporting Standard 18 - Presentation and Disclosure in Financial Statements ("IFRS 18"), with the objective of providing relevant and meaningful information to enhance users' understanding of general-purpose financial statements.

This revised approach reflects the IASB's broader intent to improve the transparency, comparability and consistency of financial statements.

For the CFO, IFRS 18 is not merely a "remapping" exercise; it is a strategic communication event that carries significant implications for governance, technology, and capital market perception. Mandatory reclassifications may change the very metrics debt agreements depend on. Internal dashboards and executive compensation targets must now align with these new anchors to ensure the story told to the Board remains consistent with the story told to the investors.

Perhaps the most significant shift is the move of Management Performance Measures (MPMs)—the non-GAAP metrics often used in earnings calls—into the audited financial statements. This transition serves as a governance upgrade. By subjecting bespoke metrics to audit oversight, companies can reduce "information asymmetry" and potentially lower their cost of capital through enhanced investor confidence.

This publication aims to highlight the key themes introduced under IFRS 18, providing an overview of their implications for the overall presentation and disclosure in financial statements. It also outlines areas that may require more detailed and careful assessment as entities prepare for the implementation, effective 1 January 2027, alongside the publication also highlights practical challenges and nuances that may arise while reporting. We trust that you will find this publication insightful and relevant as you navigate these changes. We would be happy to participate in any discussion required to clarify our views in the publication.

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# INTRODUCTION

IFRS 18, Presentation and Disclosure in Financial Statements, issued by the IASB, substantially changes the structure and presentation of financial statements. It brings a renewed focus on management-relevant metrics and investor-aligned disclosures. The key concepts introduced under IFRS 18 are:

## Classification of Income Statement

- Assess main business activity
- Classify income and expenses into five categories – Operating, Investing, Financing, Taxes, and Discontinued Operations.
- Use of sub-totals such as operating profit or loss, Profit or loss before financing and income taxes, etc.
- Presentation of Income Statement based on Nature v/s Function or Both

## Disclosure of Management-defined Performance Measures

- Performance measures shared publicly must now be formally included in financial statements and audited.
- Performance measures that represent subtotals of income and expenses will be included.
- Management-defined Performance Measures must be defined, disclosed, and reconciled with the nearest IFRS-compliant figures.

## Enhanced guidance on aggregation and disaggregation

- Provides comprehensive guidance on the grouping (aggregation and disaggregation) of information to be included in 'primary' financial statements and on the information to be disclosed in the notes.
- Provides option to disclose summary of expenses, either nature-wise or function-wise, or both. In cases where expense under Operating are presented by function, entities are required to provide qualitative disclosures describing the nature of expenses included within each functional line item.

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## What does it mean for companies?

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### Structure of profit or loss and new categories

Reclassifying items such as FX gain/losses, non-operating income, dividend income, etc., into Operating, Investing, or Financing categories alters key metrics such as Operating Profit, requiring clear stakeholder communication. Conglomerates with multiple businesses must determine and document their “specified main business activities” (i.e., financing to customers, investing in assets), which drives whether certain items are classified as operating, investing or financing, affecting KPIs, and segment disclosures.

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### Systems, consolidation, and internal reporting

Consolidation and reporting systems must be updated to capture IFRS 18’s new categories, subtotals, and Management Performance Measures (MPMs) consistently across subsidiaries and segments, including revisions to the chart of accounts and mapping logic. Groups will also need to align internal management reporting and investor communications with the new structure for consistency across board packs, internal MIS, earnings releases, and statutory financial statements. Additionally, these changes could impact loan covenants by altering key financial ratios tied to operating profit and subtotal definitions, requiring a proactive review of debt agreements.

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### Disclosure of MPMs

Mandatory disclosure and audit of MPMs (e.g., Adjusted EBITDA, Core operating profit etc.) enhance investor trust but increase governance and system configurations to support such MPMs’ reconciliations with reported figures in the income statement. For conglomerates that use several alternative performance measures at group and segment level, requirement to disclose MPMs will significantly increase disclosure volume and discipline.

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### Aggregation, disaggregation, and note structure

IFRS 18 tightens guidance on when to aggregate or disaggregate income, expenses, assets, and liabilities, requiring more granular breakdowns where needed (e.g., key expense types like depreciation and employee benefits, even when presenting by function). The standard clarifies the different roles of primary statements and notes, which may drive a redesign of note order, cross-references, and how group-wide and segment-specific information (e.g., business lines, geographies) is organized.

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# KEY ASSESSMENT AREAS

## Classification of Income Statement

### a. Specified Main Business Activity

IFRS 18 requires entities to undertake an assessment of their main business activities to determine the appropriate presentation of the statement of profit or loss based on the facts at the time. This assessment involves evaluating whether the entity's activities primarily relate to investing in assets, providing finance to customers, or a combination of both. The standard prescribes specific presentation requirements for entities falling within these categories, while general presentation principles apply to entities engaged in other types of business activities. As this assessment is required to be performed at the level of each reporting entity, it may result in differences in the presentation of the income statement between a parent entity and its subsidiaries, reflecting their respective business models and operational profiles.

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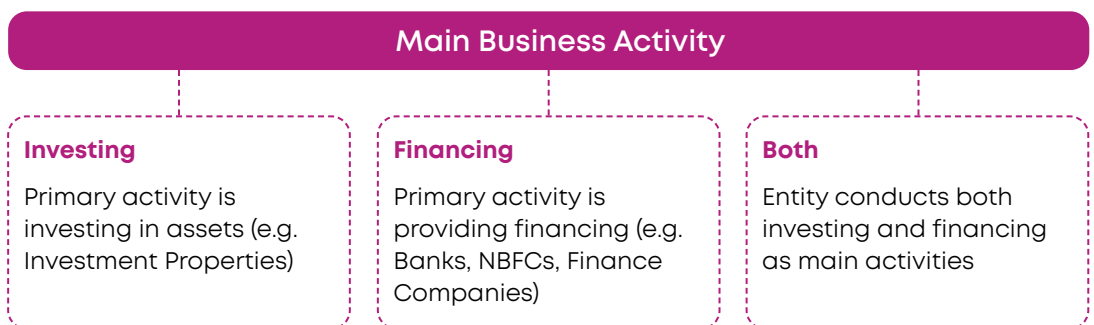
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The assessment of an entity's main business activities is a matter of fact and not merely an assertion and as a result if facts undergo a change, the conclusions could also change. Accordingly, entities are required to apply judgement when performing this assessment and to substantiate their conclusions with appropriate supporting evidence. IFRS 18 provides application guidance that outlines indicative factors to be considered in this evaluation, and the following examples illustrate how such guidance may be applied in assessing an entity's main business activity:

- For a finance entity, the presentation of a subtotal similar to gross profit is intended to explain operating performance for external communication purposes or to support internal performance assessment, in line with the presentation principles set out under IFRS 18.
- Where an entity discloses a single business activity as part of its segment reporting in accordance with IFRS 8, such disclosure may serve as an indicator in assessing the entity's main business activity for the purposes of applying the presentation requirements under IFRS 18.
- An entity disclosing multiple business activities as part of its segments reporting in accordance with IFRS 8 will have to assess if its main business activity either falls under the investing or financing activity as this will lead to presentation of income Statement.

### What is changing?

IAS 1 did not prescribe a specific format for the presentation of financial statements based on the nature of the reporting entity's business activities. Consequently, this resulted in diversity in presentation practices, including differences between separate financial statements and consolidated financial statements, even among groups operating within similar lines of business.

IFRS 18 has been updated in response to feedback received from investors, with a focus on enhancing the comparability of information across entities. The requirement to identify an entity's main business activity based on facts substantiated by appropriate evidence has now established presentation requirements for all entities or group of entities operating in a similar line of business, requiring such entities or group entities to present their financial statements in the specific format prescribed under IFRS 18 and aligning the overall presentation with the disclosures as per IFRS 8 Operating Segment.

## Practical Considerations



The following are key considerations to be applied while assessing to determine specific main business activity:

- An entity has to evaluate if its main business activity is
  - Investment in group companies, debt or equity instruments, investment properties
  - Providing finance to customers
- An entity will have to perform and conclude on the above evaluation of identifying its specified main business activity, irrespective of any other conclusion determined by such companies while evaluating any other jurisdictional requirements or under any other IFRS standards.
- Such assessment shall be substantiated with evidence based on the facts available at that time.
- All the entities within a group will have to conduct their own assessments. Parent entity of such group companies will have to perform this assessment for its separate financial statements as well as the consolidated financial statements. This will form part of the financial statements closing process and will have to be included as part of the internal financial controls of an organization.



Example:

A reporting entity is the ultimate parent of a large group of entities. The entity's activities are limited to holding investments in subsidiaries, making decisions relating to the management, acquisition and disposal of those subsidiaries, and distributing returns generated from those investments to its shareholders. The entity determines that it does not meet the definition of an investment entity in accordance with Consolidated Financial Statements ("IFRS 10").

In the circumstances described above, the parent entity is still required to determine its main business activity in accordance with IFRS 18, as such an assessment is consistent with the IASB's rationale underlying the requirements of the Standard. Given that the parent entity is not engaged in any other substantive activities, this may constitute sufficient evidence to conclude that investing in subsidiaries represents the parent entity's main business activity. Consequently, the parent entity is required to classify income and expenses arising from its investments in subsidiaries within the operating category of its statement of profit or loss.

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Below is an example of the determination of the specified main business activity for a conglomerate involved in varied business activities

| Sector                   | Description of business                     | Type of Specified Main Business Activities |
|--------------------------|---------------------------------------------|--------------------------------------------|
| Real Estate              | Construction of buildings, properties, etc. | Others                                     |
| Leasing                  | Investment properties held by the company   | Investing in Assets                        |
| NBFC, Financial Services | Financing of loans for buying properties    | Financing                                  |

While the conglomerate may conclude on the main business activity of individual companies forming part of the group as mentioned above, the parent entity will also have to undertake similar assessment for the preparation and presentation of consolidated financial statements. This assessment is performed to determine whether the group's main business activity is investing, financing, or a combination of both, based on relevant facts and circumstances such as segment reporting, internal performance monitoring, and the use of subtotals comparable to gross profit. Accordingly, the parent entity is required to apply judgement in determining the main business activity for the purposes of consolidated financial statements.



## b. Classification of income and expense

IFRS 18 requires entities to present income and expenses across the five prescribed categories, to enhance consistency and comparability in financial reporting. The standard further sets out specific presentation requirements governing the classification of income and expenses within operating, investing, and financing activities, providing a structured framework to support consistent application across entities.

An entity is required to segregate its income and expenses for the purpose of presenting the statement of profit or loss based on its identified specified main business activity. As this evaluation is required to be performed by each entity within a group, it may result in differences in the presentation of income and expense line items between consolidated financial statements and the separate financial statements of individual entities.

**A. Operating Category**

Operating category would include all income and expenses related to entity main business activities except for any such income and expenses from investments accounted for using the equity method. e.g- revenue from goods/services, cost of sale.

**B. Investing Category**

Investing category would include Equity accounted investments, Investments in rental properties, etc. unless the main business activity of an entity is any of such investing. e.g. - Rental income from investment property , Interest income and fair value change of financial asset.

**C. Financing Category**

Financing category will have income or expense relating to raising of finances unless the main business activity of the entity is financing. e.g. - All income and expenses from liabilities arising from transaction that involve only raising of finance.

**D. Income Taxes Category**

Any tax expenses or income as per Income Taxes ("IAS 12") including any related foreign exchange differences.

**E. Discontinued Operations Category**

Income or expense from discontinued operations as required by Non-current Assets Held for Sale and Discontinued Operations ("IFRS 5")

IFRS 18 has streamlined the presentation of the statement of profit or loss based on an entity's main business activity, reflecting the manner in which users of financial statements typically analyse returns from operating activities separately from those arising from investing activities. The IASB observed diversity in practice in the presentation of certain income and expenses, such as results from investments accounted for using the equity method. Classifying income and expenses related to an entity's investing activities within a distinct category is therefore intended to enhance consistency and comparability in financial statement presentation, while also enabling users to better understand the performance of an entity's core operations over time and in comparison with peers.

## What is changing?

IAS 1 outlines the overarching requirements for presenting the statement of profit or loss, including the minimum content that must be presented. However, the Standard did not prescribe a specific format for the presentation of line items within a defined structure. Based on an analysis of 100 entities conducted by the IASB, it was observed that 61 entities reported an operating profit; however, those entities defined operating profit in nine different ways. As a result, comparability between such entities was impaired due to the absence of a commonly defined presentation format. IFRS 18 has introduced detailed guidance and a structured approach to categorizing income and expenses into five categories, thereby addressing investor concerns related to comparability and transparency.



Specific income and expenses items

a Foreign exchange gain/losses

IFRS 18 focuses on the presentation of items in the statement of profit or loss, categorizing them into three categories: operating, investing, and financing. It has also emphasized the presentation of specific line items based on their categorization within the above-mentioned categories. One example of such a presentation is in relation to foreign exchange gains or losses. IFRS 18 states that foreign exchange differences arising from a transaction should be classified in the same category as the presentation of income or expense relating to the transaction, unless undue effort.

IAS 1 did not include specific requirements relating to the presentation of particular types of income or expenses, such as foreign exchange gains or losses. Instead, the Standard set out general principles on offsetting, permitting the presentation of gains and losses on a net basis when they arose from groups of similar transactions, while requiring separate disclosure of such transactions when considered material. IFRS 18 has introduced specific requirements for the presentation of income and expenses, including foreign exchange differences, requiring them to be classified within the same category as the income or expenses of the related asset or liability.

| Impact of foreign exchange | Presentation in Income Statement                                                                                                                                                 |
|----------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Trade Receivable /Payable  | Operating activity                                                                                                                                                               |
| Foreign Currency Loan      | Financing activity unless financing is the main business activity of the entity                                                                                                  |
| Hedging gains & Losses     | Depending on the presentation of income / expense relating to the hedged item (asset / liability hedged)                                                                         |
| Cash and Cash equivalent   | Investing activity unless the main business activity of the entity is investing in assets or providing finance subject to accounting policy choice available under the standard. |

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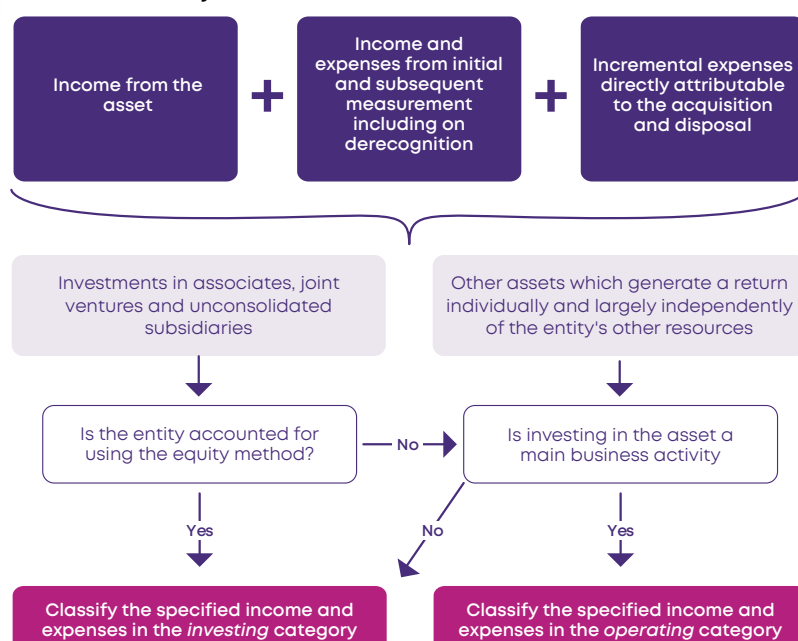
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Also there are several income and expenses whose classification will get impacted basis the nature of income or expenses highlighted below, following is an illustrative list:

| Description of income or expenses                                                                                            | To be categorized under                                                                                                                                                                                                     |
|------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Any income or expense relating to equity accounted Investments in associates, joint ventures and unconsolidated subsidiaries | Always in the investing category irrespective of the main business activity of the entity                                                                                                                                   |
| Gains or losses on financial instrument designated as a hedging instrument                                                   | Presentation should be in the category were the income or expense for the embedded risk is recognized                                                                                                                       |
| Gains or losses on a derivative used to manage foreign currency risk on revenue and interest expenses                        | Operating category as the grossing up of the derivative for each component is not permitted                                                                                                                                 |
| Operating lease income on PPE                                                                                                | Investing category, if the leased PPE assets generate income largely independent from the entity's other activities                                                                                                         |
| Income under Finance Lease                                                                                                   | Operating category provided main business activity of the entity is financing to customers                                                                                                                                  |
| Investment Property                                                                                                          | Usually in the investing category as it generates income largely independent of entity's other activities. It may be classified as Operating category if investing in properties is concluded as the main business activity |

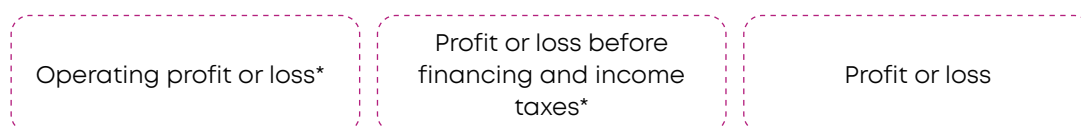
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### Illustrative example of classification by entities that invest as a main business activity



## c. Use of sub-totals

To enhance consistency and comparability of information presented across financial statements, IFRS 18 mandates the presentation of specified totals and subtotals within the statement of profit or loss, as outlined below:



Through the implementation of such mandated totals and subtotals in the presentation of income and expenses, IFRS 18 aims to provide a structured summary of an entity's income and expenses, while simultaneously allowing entities the flexibility to present additional information, where necessary, to reflect their specific circumstances and enhance the usefulness of financial statements.

*\* Newly introduced*

## What is changing?

In the absence of specific requirements governing the presentation of income and expenses, entities adopted diverse presentation approaches. As a result, investors and other primary users of financial statements encountered difficulties in comparing the performance of entities operating within similar lines of business. As noted by the IASB in its analysis of income and expense classification, different approaches to the presentation of operating profit were identified across entities. With the introduction of IFRS 18, the use of defined sub-totals has been mandated, thereby addressing issues relating to comparability.

| Particulars                                            | For the year ended 202X |
|--------------------------------------------------------|-------------------------|
| Revenue                                                | Operating <sup>#</sup>  |
| Cost of goods sold                                     |                         |
| Gross profit / (loss)                                  |                         |
| Other Operating income                                 |                         |
| Employee benefit expenses                              |                         |
| Selling and Distribution expenses                      |                         |
| Depreciation                                           |                         |
| General and Administration expenses                    |                         |
| Impairment loss                                        |                         |
| <b>Operating profit / (loss)*</b>                      |                         |
| Investing income                                       | Investing <sup>#</sup>  |
| Dividend income from financial instruments             |                         |
| Investing expenses                                     |                         |
| <b>Profit / (loss) before financing and taxes*</b>     |                         |
| Financing income                                       | Financing <sup>#</sup>  |
| Financing expenses                                     |                         |
| <b>Profit / (loss) before taxes</b>                    |                         |
| Income tax expenses                                    | Income tax expenses     |
| <b>Profit from continued operations</b>                |                         |
| <b>Discontinued operations</b>                         |                         |
| Profit from discontinued operations                    | Discontinued operations |
| Taxes on profit from discontinued operations           |                         |
| <b>Profit after taxes from discontinued operations</b> |                         |
| <b>Profit for the year</b>                             |                         |

*#New classifications as per IFRS 18      \*Newly introduced*

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**Example:**  
A group may present a subtotal that combines items classified within the operating category, and investments accounted for using the equity method, particularly where the main business activity of the parent and its group entities is consistent. Such a presentation is intended to provide a more holistic view of the entity’s main business activities, thereby enhancing the relevance and interpretability of the information presented to users of the financial statements.

d. Presentation of income statement: Function Vs Nature

IFRS 18 emphasises the presentation and disclosure of material information in a structured summary that faithfully represents an entity’s assets, liabilities, equity, income and expenses. The Standard requires an entity to classify and present expenses in line items that provide the most useful structured summary, using either the nature of expense or the function of expense, or a combination of both characteristics. While IFRS 18 permits the presentation of expenses based on both nature and function, it is important to note that, when applying the principles of aggregation and disaggregation (Refer “Aggregation and disaggregation requirements” below) in the presentation of the statement of financial position or in disclosures in the notes, the Standard requires presentation based on characteristics that are shared or not shared, that is, either by nature or by function. This update is consistent with the overall objectives of IFRS 18, which focus on providing a structured and comparable format for the presentation of the statement of profit or loss.

| Nature                      | Function                            |
|-----------------------------|-------------------------------------|
| Raw Material Expense        | Cost of Sales                       |
| Employee Benefit Expense    | General and Administrative Expenses |
| Depreciation & Amortization | Selling and Marketing Expenses      |

When an entity opts to present items in operating category based on their function, an entity should also disclose in a single note expense such as depreciation, amortization, employee benefits, impairment losses and reversals that have been categorized under the operating category and outside of the operating category. The entity is required to apply this basis of presentation of the income statement consistently.

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## What is changing?

IFRS 18 focuses on providing a useful structured summary to investors when an entity presents information in its statement of profit or loss or in the notes. Accordingly, the fundamental principles relating to the presentation of expenses based on their nature or function have been carried forward from IAS 1. However, given the objective of enhancing the usefulness of the statement of profit or loss for primary users of financial statements, IFRS 18 has extended the presentation of expenses by both nature and function within the operating category. While an entity may present expenses in the operating category based on nature, function, or a combination of both, this flexibility is not extended to the investing and financing categories. Nevertheless, the principles of aggregation and disaggregation require that the classification and aggregation of assets, liabilities, equity, income, expenses, or cash flows into line items be based on shared characteristics, such as their nature, function within the entity's business activities, liquidity, or measurement basis.

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In determining the presentation of the income statement based on the function or nature of expenses, an entity should consider the following factors:

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Focus of investors and other stakeholders

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Main drivers or components of the entity's operations

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Internal / Management reporting

04

Standard industry practice

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**IFRS 18 allow companies to use a mixed presentation of items (using a combination of different basis), unlike the policy choice under IAS 1**

The IASB is of the view that a mixed presentation sometimes provides the most useful information to investors. This approach addresses concerns raised by stakeholders, particularly for conglomerates. It recognizes that items such as goodwill impairment may be difficult to allocate to functional line items in a non-arbitrary manner. If a mixed presentation is used, application guidance ensures that items are labeled faithfully so users can compare line items.

Accordingly, an entity may conclude to present its income statement based on the nature and function of the expenses if it concludes that this approach provides a structured summary in the most useful and meaningful way.

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### Mixed Nature and Function Presentation in Operating Category

An entity operating within the textile manufacturing and retail industry may have distinct components or drivers of profitability arising from its manufacturing and retail activities. Accordingly, such an entity may present, within the operating category, line items relating to its manufacturing activities based on the nature of income or expenses, and line items relating to its retail activities based on the function of income or expenses. However, the entity is still required to present, within a single note, the disclosures relating to specific line items as required by IFRS 18, whether those line items are classified within or outside the operating category.

# Disclosure of Management-defined performance measures (MPMs)

IFRS 18 introduces the concept of an MPM. It defines MPMs as a subtotal of income and expenses that an entity uses in public communications outside of financial statements to communicate to users of financial statements management's view of an aspect of the entity's financial performance as a whole. IFRS 18 clearly notes that subtotals specifically required to be presented or disclosed by IFRS Accounting Standards are not MPMs. Furthermore, IFRS 18 lists other subtotals that are not MPMs, such as gross profit or loss (revenue minus cost of sales) and similar subtotals, including operating profit or loss before depreciation, amortization, and impairments within the scope of Impairment of Assets ("IAS 36"), among others. The objective of the disclosure of MPMs is for an entity to provide information to help users of financial statements understand:

- Aspect of the financial performance communicated by MPMs; and
- How MPMs compare with measures defined by the IFRS Accounting Standards

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## What is changing?

Prior to IFRS 18, IFRS Accounting Standards did not contain any specific requirements that permitted or prohibited the disclosure of voluntary information, which included the non-GAAP or Alternative Performance Measures (APMs) that are now partially defined as MPMs. Companies often reported their own measures of performance outside the financial statements, such as in management commentary, press releases, or investor communications. Although country/ geography specific disclosure requirements were mandated by financial regulators, there was a need for a single uniform disclosure requirement for all IFRS compliant entities across geographies.

Disclosure of MPMs will provide relevant and useful insights as users of the financial statements will gain an understanding of how management views the entity's financial performance. As such, it enables a single version of truth across the financial statements and other commentary by management. To improve the transparency around these measures, IFRS 18 requires an entity to show information about all its MPMs in a single note to the financial statements.

## a. Identification of MPMs

IFRS 18 does not necessitate enhanced disclosures for all the Non-GAAP / Alternative Performance Measures disclosed by the entity in their financial statements. The MPMs are a subset of the Non-GAAP Measures / Alternative Performance Measures (APMs) disclosed by the entities. Therefore, it is essential to first determine what is covered under the scope of MPMs as per IFRS 18.

What is an MPM? - A measure that meets four specific criteria.



**A Subtotal of Income & Expenses**

The measure's fundamental composition. It is not a ratio, a balance sheet item, or a cash flow metric.



**Used in Public Communications**

The measure is found outside the financial statements. (Eg, press releases, etc.)



**Communicates Management's View**

Convey management's perspective on the financial performance of the entity as a whole



**Performance of the Entity as a Whole**

The measure relates to the overall entity, not typically a single segment

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Subtotal of Income and expenses

The standard has specifically narrowed down the definition of the MPMs to only include subtotals of income and expenses. By limiting the definition to subtotals of income and expenses, the standard ensures that many other performance metrics commonly used in public communications are excluded from the specific MPM disclosure requirements.

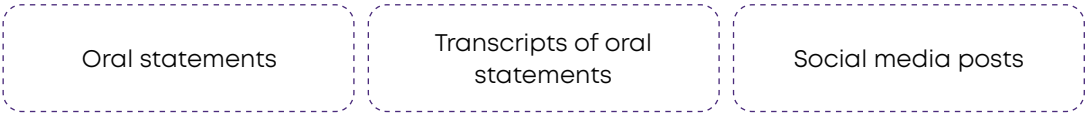


Public Communications

Only items that are disclosed in the public communications could be covered under the definition of MPMs. IFRS 18 does not provide an exhaustive or inclusive list of specific documents that constitute public communications. Instead, it provides a functional definition focused on the nature and purpose of the communication. For the purpose of identifying MPMs, public communications are defined as communications outside the financial statements that convey information about the entity’s financial performance to users. Examples are:



To simplify the process for preparers, auditors, and regulators, the IASB specifically scoped out certain forms of public communications from the definition of an MPMs; such as:



Management's view of the financial performance

MPMs focus on communicating an aspect of an entity's performance and not on communicating management's performance. A subtotal used solely for the purpose of measuring management's performance (for example a measure used only internally for the purpose of management remuneration) would not meet the definition of MPMS.

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Entity's Performance

The focus is on communicating management's view of an aspect of the entity's performance to users and not on measuring management's internal performance.

02

Entity as a whole

The focus of the IASB was on disclosure of the performance of the entity as a whole. A subtotal of income and expenses related to a reportable segment generally does not meet the definition of an MPMS unless it provides information about the financial performance of the entity as a whole.

03

Rebuttable presumption

There is a rebuttable presumption that any subtotal of income and expenses used in public communications outside the financial statements reflects management's view of an aspect of the entity's overall financial performance. This presumption may be rebutted only where management provides reasonable and supportable evidence that the subtotal does not convey such a view and that it is used for an alternative, clearly articulated purpose in public communications.

Illustrative list of performance measures generally disclosed outside the financial statements by entities under different sectors that may qualify for MPMs.

| Potential MPMs                                        | Sectors   |           |                       |             |            |         |
|-------------------------------------------------------|-----------|-----------|-----------------------|-------------|------------|---------|
|                                                       | Insurance | Oil & Gas | Pharma/<br>Healthcare | Real Estate | Technology | Telecom |
| Adjusted EBITDA                                       |           | ●         | ●                     | ●           | ●          | ●       |
| Adjusted operating profit / EBIT                      |           | ●         | ●                     | ●           | ●          |         |
| Adjusted Profit before taxation                       |           |           |                       | ●           |            | ●       |
| Adjusted Net Profit / Net Income/ Earnings            | ●         | ●         | ●                     | ●           |            |         |
| Adjusted profit attributable to owners / Shareholders | ●         |           |                       |             |            |         |
| EPRA earnings                                         |           |           |                       | ● *         |            |         |
| Replacement cost profit                               |           | ●         |                       |             |            |         |

\*Regulatory requirement for European entities.

This is an illustrative list, and the standard does not provide a list of MPMs that are to be included in the financial statements. It's up to the management to determine what constitutes MPMs for their entity considering the guidance under IFRS 18.



## b. Disclosure in the financial statements

IFRS 18 provides that MPMs relate to the same reporting period as the financial statements presented:

A subtotal that relates to the interim financial statements, but not to the annual financial statements, is only an MPM in the interim financial statements, and

A subtotal that relates to the annual financial statements, but not to interim financial statements, is only an MPM in the annual financial statements.

A subtotal that relates to the standalone financial statements, is only an MPM in the Standalone financial statements.

A subtotal that relates to the consolidated financial statements, is only an MPM in the consolidated financial statements. An MPMs disclosed in the standalone financial statements does not necessarily become an MPM in the consolidated financial statement.

MPMs must be included in a single note to the financial statements. For each measure that meets the definition of an MPM, the entity is required to disclose the following information in a clear and understandable manner that does not mislead users:

### Description and Purpose

- 1
  - A description of the aspect of financial performance that the MPMs communicate, including an explanation of why the measure provides useful information about the entity's financial performance.
  - A statement that the MPMs provide management's view of financial performance and are not necessarily comparable with similarly labeled measures provided by other entities.

The IASB concluded that transparency is enhanced by an entity clearly stating the purpose and limitations of MPMs. An MPM reflects management's judgment about what is useful to users of financial statements. Users of financial statements require enough information about that judgment to understand the information the MPM provides and how it faithfully represents an aspect of an entity's financial performance.

### Calculation Methodology

- 2
  - The entity must disclose how the MPMs are calculated, including an explanation that the accounting policies used to calculate the measure may differ from those used in the statement of profit or loss or required/ permitted by IFRS Accounting Standards.
  - The entity must provide a reconciliation between the MPMs and the most directly comparable IFRS subtotal disclosed in the financial statements. For each such reconciliation, entities will be required to disclose the amounts related to each item and a description of how those items are calculated.
  - The tax effects and the effects of non-controlling interests (NCI) for each of the reconciliation items included in the note.

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Illustrative reconciliations of an MPM with an IFRS measure are below:

**Illustration 1:**  
**Reconciliation of Adjusted EBITDA to IFRS Operating Profit/ (Loss)**

| Particulars                                                        | Gross Adjustment | Tax Impact | NCI Impact |
|--------------------------------------------------------------------|------------------|------------|------------|
| Operating Profit/ (Loss)                                           | XX               |            |            |
| Adjusting items                                                    | XX               |            |            |
| Restructuring costs                                                | XX               | (XX)       | XX         |
| Interest on lease liabilities                                      | XX               | (XX)       | XX         |
| Loss on disposal of property, plant, and equipment, and intangible | (XX)             | XX         | (XX)       |
| Depreciation and amortization on owned assets                      | (XX)             | XX         | (XX)       |
| Share of results of equity accounted associates and joint ventures | (XX)             | XX         | (XX)       |
| Impairment (charge)/reversal                                       | (XX)             | XX         | (XX)       |
| Interest Expense                                                   | (XX)             | XX         | (XX)       |
| Other income                                                       | XX               | (XX)       | XX         |
| Total Adjustments                                                  | XX               | (XX)       | XX         |
| Adjusted EBITDA                                                    | XX               | (XX)       | XX         |

## Illustration 2:

### Reconciliation of Adjusted Profit/ (loss) before tax to Profit/ (loss) before tax

| Particulars                                                                             | Gross Adjustment | Tax Impact  | NCI Impact |
|-----------------------------------------------------------------------------------------|------------------|-------------|------------|
| Profit/(loss) before tax                                                                | XX               |             |            |
| Adjusting items                                                                         | XX               |             |            |
| Adjustments to the share of profit/(loss) from joint ventures and associates' after tax | XX               | (XX)        | XX         |
| Realized and unrealized property gains and losses                                       | XX               | (XX)        | XX         |
| Profit on the sale of trading properties                                                | XX               | (XX)        | XX         |
| Cost of early close-out debt                                                            | (XX)             | XX          | (XX)       |
| Net fair value gain on interest rate swaps and other derivatives                        | XX               | (XX)        | XX         |
| Share of profits/ (losses) of associates and joint ventures                             | (XX)             | XX          | (XX)       |
| Impairment loss on a loan due from an associate                                         | (XX)             | XX          | (XX)       |
| Total adjustments                                                                       | XX               | (XX)        | XX         |
| <b>Adjusted Profit / (loss) before tax</b>                                              | <b>XX</b>        | <b>(XX)</b> | <b>XX</b>  |

Entities would need to provide the reconciliation disclosure for the current as well as the comparative period presented in the financial statements.

Considering the nature of reporting and the complexities involved in tax calculations, entities can follow any of the following approaches to calculate the tax impact of the reconciliation items. The entity shall be required to disclose the approach adopted while preparing the note in the financial statement.



#### Simplified approach

based on the tax effects of the underlying transaction at the statutory rate applicable to the transaction in the tax jurisdiction concerned



#### Alternate approaches

Calculating the tax effects based on the effective tax rate for the reporting period (reasonable pro rata allocation of the Company's current and deferred tax) or any other method that achieves appropriate allocation

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When an entity uses more than one method to determine the income tax effects of reconciling items, it is required to disclose the basis on which the tax effects have been determined for each such item. This disclosure should clearly explain the methodology applied to individual reconciling items, enabling users to understand how the related tax impacts have been derived.

The detailed disclosure of the effect of NCI on reconciling items is necessary because it provides investors with the information they need to calculate the adjusted earnings per share measure. The calculation of NCI may typically be straightforward, i.e., multiplying the NCI percentage by the relevant reconciliation item. However, the following issues require attention while calculating the impact:

- Complex entity structures (for example, group structure with partially owned step-down subsidiaries) will have to evaluate the NCI impact basis effective shareholding at a group level.
- The reconciling items may not apply to all subsidiaries forming part of consolidated financial statements, requiring careful consideration while calculating the NCI impact on such reconciling items.
- Entities will have to be mindful of various intercompany adjustments and their tax impacts. These adjustments must be appropriately mapped and considered when calculating the NCI and tax impact for any reconciling items.

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3

### Presentation of MPMs

#### 01 Single Note

All the disclosures in relation to the MPMs must be provided in a single note in the financial Statements. This central presentation addresses investor concerns about the difficulty in finding all relevant information about non-GAAP measures, which are often scattered across various communications.

#### 02 Clear Distinction

If the entity chooses to include other information in this note (for instance, segment reporting information if the segment measure is also an MPM), the information required for MPMs must be clearly distinguished from the other information.

#### 03 Statement of Non-Comparability

The single note must include a statement that the MPMs communicate management's view of an aspect of the entity's financial performance as a whole and are not necessarily comparable with similarly labeled measures provided by other entities.

#### 04 Presentation in the Statement of Profit or Loss

An MPM can potentially be presented as an additional subtotal in the statement of profit or loss if doing so is necessary for the statement to provide a useful structured summary of the entity's income and expenses. This would not preclude the entity from the MPM disclosure requirements under IFRS 18.

## 05 Comparative Information

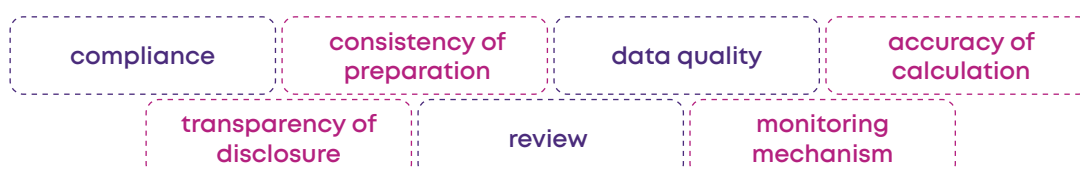
Entities are required to present the relevant disclosures for each comparative period included in the financial statements. Where there is any change in the measures disclosed or in their method of calculation in the current year, comparative amounts must be restated, as necessary, to ensure consistency and comparability across periods.

### c. Setting up the MPM reporting process

The implementation of IFRS 18 is expected to significantly impact an entity's existing processes, primarily through first-time implementation related to changes in internal processes and systems. The likely impacts on internal processes include changes across financial reporting, data systems, and internal control environments:

#### Development of Policies and Procedures

From management's perspective, a critical aspect for disclosure of MPMs is the policies, processes, and management controls over the disclosure of MPMs and operational metrics. Entities and Management need to consider designing control processes to ensure that procedures are in place regarding:



These management controls may be included as part of the risk control matrix considered for monitoring Internal Financial Control.

Companies shall consider the following while setting up/redesigning internal processes:

#### Ongoing Cost for Dynamic Businesses

The MPMs disclosed by an entity may need to be revisited and updated in response to changes in business dynamics. For example, in a merger scenario, the combining entities may have historically disclosed different MPMs. Following the business combination, management would be required to reassess these measures to determine which MPMs most appropriately reflect the performance of the combined entity.

#### Information Gathering and System Adaptation

The most significant impact on existing data collection processes stems from the detailed information required for the reconciliation. As the standard requires the impact of taxes and NCI to be disclosed for each reconciliation item, it would require gathering additional information, particularly for entities operating in different tax jurisdictions and complex group structures.

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## Internal Communication

MPMs are not merely a financial metric to be disclosed in the financial statements; they have an impact on how the company's performance is viewed by the external as well as the internal stakeholders (including those charged with governance). Further, the exhaustive disclosure requirements would require interaction with multiple stakeholders beyond the finance team. Therefore, entities would need to ensure that all relevant internal stakeholders are aligned with the MPMs disclosed and develop processes to ensure smooth data collection, as well as follow an approval mechanism.

## External Communications

The entities may need to communicate to external parties, such as investors, regarding which APMs are now considered MPMs and the information that will be disclosed in the financial statements about them. Entities that report digitally will incur one-time costs to retag their financial statements for the new MPM disclosures, including the required reconciliation.

## d. Assessment Considerations

### Disclosure of Non-GAAP Measures which are not MPM

The IASB has clarified that IFRS 18 does not mandate the discontinuation of Non-GAAP measures currently disclosed by entities. The scope of IFRS 18 is limited to a specific subset of such measures and does not introduce explicit requirements to permit or restrict the disclosure of voluntary information. Consequently, entities may continue to present Non-GAAP measures that are disclosed either voluntarily or to meet regulatory requirements, provided that such disclosures are made in accordance with applicable regulatory frameworks and are applied consistently.

### Tracking measures disclosed in the public announcements

The IASB has not prescribed an exhaustive definition of what constitutes public communications. Accordingly, entities are expected to actively monitor the nature of their public communications and the performance measures included therein. Entities should establish appropriate systems, controls, and governance processes to identify and monitor MPMs communicated outside the financial statements to comply with IFRS 18 disclosure requirements. This necessitates coordinated efforts across functions such as financial reporting, investor relations, and legal.

In most jurisdictions, entities issue public communications, such as press releases, before or on the same day as the financial statements are authorized for issue. However, in some jurisdictions, investor presentations that might include performance measures are not made available until after the financial statements are authorized for issue. The IASB decided to require an entity to consider the measures it included in public communications related to the previous reporting period to identify MPMs for the current period.

The requirements apply equally to private entities if a private entity communicates subtotals that meet the definition of MPMs. The intention was to promote transparency and discipline over performance measures communicated externally.

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Disclosing EBITDA as an MPM in the financial statements

Typically the EBITDA measure is equivalent to the operating profit subtotal which forms part of the statement of profit and loss and hence would not qualify as an MPM. However, if there are certain additional adjustments considered in the EBITDA disclosed in the public information, EBITDA would qualify as an MPM and the relevant disclosure requirements shall apply.

Overlap between Segment Reporting Disclosure and the MPM disclosure requirement under IFRS 18.

A central requirement for MPMs is that all required disclosures must be included in a single note to the financial statements. A measure of performance used for a reportable segment could also meet the definition of MPM if it satisfies the criteria specified in IFRS 18.

When a reportable segment measure is also an MPM, the entity has flexibility regarding its presentation by either:

Combining the Notes

The required disclosures for the segment measure (under Operating Segments (“IFRS 8”)) and the MPM disclosures (under IFRS 18) can potentially be combined into one note. However, the entity must clearly distinguish and label the information required for MPMs from the information required by IFRS 8 for segment reporting.

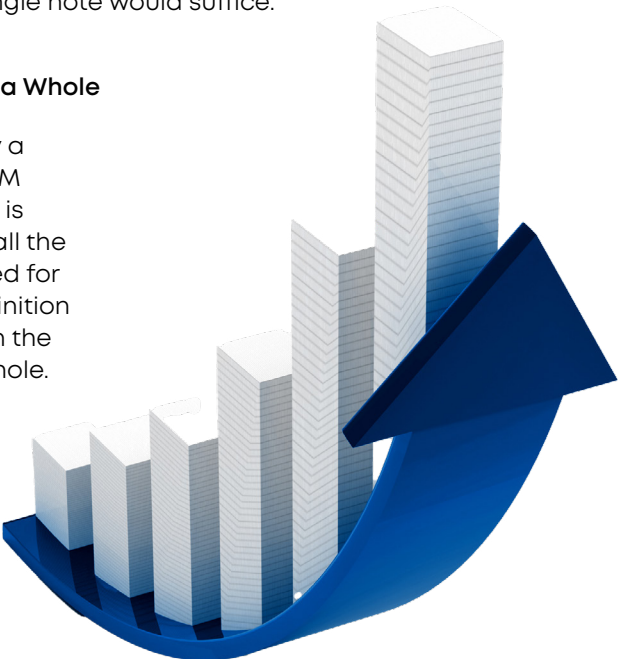
Duplication

Alternatively, the entity may duplicate some information that overlaps between the two notes to preserve the single-note requirement for MPMs.

Considering the MPMs represent the entity’s performance, separate disclosure for MPMs and segment reporting would provide the users with a better understanding of the financial statements. However, if all the identified MPMs are also a performance measure for the reportable segments, a single note would suffice.

Segment Breakdown vs. Entity as a Whole

A segment measure that is simply a breakdown of a consolidated MPM measure for the entity as a whole is not necessarily required to have all the detailed MPM disclosures provided for each individual segment. The definition of an MPM specifically focuses on the performance of the entity as a whole.



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# Aggregation and disaggregation requirements

The need for enhanced guidance on aggregation and disaggregation under IFRS 18 arose primarily because the previous requirements in IAS 1 had not been consistently understood or applied. This lack of consistency led to two key problems expressed by users of financial statements:

- 01

**Omission of necessary information**  
Inconsistent application of aggregation requirements resulted in entities omitting information that users needed to make informed decisions.
- 02

**Obscuring material information**  
Conversely, inadequate application also led to the obscuring of material information, often by providing too much detail, thus reducing the usefulness of the statements.

The general principles for aggregation and disaggregation in IFRS 18 were introduced as part of a broader framework, with the primary objective being to enhance the communication in financial statements. Therefore, it is key to understand the role and purpose of each segment of the financial statements before deciding on the aggregation and disaggregation of the information.

IFRS 18 does not prescribe any quantitative thresholds for disclosure, aggregation, or disaggregation. Instead, it requires management to exercise professional judgement in grouping or ungrouping items to ensure that material information is presented clearly and is not obscured.

The decision of where to group and present information relies on the distinct and complementary roles of the primary financial statements and the notes:

| Primary Financial Statements (PFS)*                                                                                                                                                                                                                     |                                                                                                           |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|
| <b>Role in Grouping Decisions</b><br>Provide useful structured summaries that help users <ul style="list-style-type: none"><li>gain an understandable overview,</li><li>make comparisons, and</li><li>identify key areas for further inquiry.</li></ul> | <b>Level of Aggregation</b><br>More aggregated than the information presented in the notes.               |
| Notes                                                                                                                                                                                                                                                   |                                                                                                           |
| <b>Role in Grouping Decisions</b><br>Provide material information necessary to <ul style="list-style-type: none"><li>understand the line items presented in the PFS and</li><li>to supplement the PFS.</li></ul>                                        | <b>Level of Aggregation</b><br>More detailed and disaggregated than the information presented in the PFS. |

\*The PFS include statement of financial position, Statement of profit and loss , statement of cash flows and statement of changes in equity.

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# Assessment Considerations

## Core Principles of Aggregation and Disaggregation

Unless specific IFRS Accounting Standards provide overriding requirements, an entity must adhere to five core principles when grouping information:

- 01

**Based on Shared Characteristics (Aggregation):**  
Classify and aggregate items based on characteristics that are shared (similar characteristics). Items aggregated and presented as line items in the primary financial statements must share at least one characteristic other than merely meeting the definition of an element (assets, liabilities, etc.).
- 02

**Based on Dissimilar Characteristics (Disaggregation):**  
Disaggregate items based on characteristics that are not shared (dissimilar characteristics). A single dissimilar characteristic may be sufficient to make the resulting disaggregated information material.
- 03

**Achieving a Useful Structured Summary (PFS Role):**  
Aggregate or disaggregate items to present line items in the primary financial statements that fulfill the role of providing useful structured summaries.
- 04

**Providing Material Information (Notes Role):**  
Aggregate or disaggregate items to disclose information in the notes that fulfills the role of providing material information. Entities need to apply judgment in determining what constitutes material information, as the standard does not specifically define the materiality thresholds
- 05

**Preventing Obscurement of Information:**  
Ensure that the processes of aggregation and disaggregation do not obscure material information.

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## Basis of Aggregation and Disaggregation

Unless specific IFRS Accounting Standards provide overriding requirements, an entity must adhere to five core principles when grouping information:

|                   |                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                       |
|-------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Executive Summary | <div><b>Nature</b></div> <div>Considers the nature of economic resources consumed.</div> <div><b>Example</b><br/>Raw material, staff costs, depreciation, etc</div>                                                                                                    | <div><b>Function (Role)</b></div> <div>Considers the activity to which the consumed resource relates.</div> <div><b>Example</b><br/>Selling expenses, administrative expenses, and investment property</div>                                                                          |
|                   | <div><b>Measurement Basis</b></div> <div>Method followed for arriving at the value of the line item disclosed.</div> <div><b>Example</b><br/>Fair value through profit or loss or other comprehensive income</div>                                                     | <div><b>Size</b></div> <div>Considered a characteristic for both transactions and balances.</div> <div><b>Example</b><br/>Materiality of the transaction</div>                                                                                                                        |
| Introduction      | <div><b>Measurement Uncertainty (Risk)</b></div> <div>Relates to factors like estimates (e.g., recoverable amount) or risks associated with the item.</div> <div><b>Example</b><br/>Expected Credit Loss, Impairment under IAS 36, Provision for legal disputes.</div> | <div><b>Tax Effects</b></div> <div>Relevant if different tax rates apply to the items or if assets/liabilities have different tax bases.</div> <div><b>Example</b><br/>Aggregation/ Disaggregation of Deferred Tax Assets / Liabilities arising under different jurisdictions.</div>  |
|                   | <div><b>Geographical Location/ Regulatory Environment</b></div> <div>Relevant if different risks, reporting rules, or tax laws apply in different locations.</div> <div><b>Example</b><br/>Assets located in different geographies, Employee Benefits</div>            | <div><b>Timing of Recognition (Income &amp; Expense)</b></div> <div>Whether income or expenses arise on initial recognition of a transaction or from a subsequent change in estimate.</div> <div><b>Example</b><br/>One-time overhaul costs versus recurring maintenance costs.</div> |

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### Persistence (Income & Expense)

Addresses the frequency of the item, or whether it is recurring or non-recurring.

#### Example

Restructuring costs, Disposal gain/losses, Litigation costs.

### Liquidity (Assets & Liabilities)

Presenting items in the order of liquidity, typically useful for financial Institutions.

#### Example

Cash, receivables, or long-term deposits,

### Duration and Timing of Recovery or Settlement (Assets & Liabilities)

Relevant for current/non-current classification, or whether recovery/settlement is part of the operating cycle.

#### Example

Long-term provisions

### Type (Assets & Liabilities)

Refers to the type of good, service, or customer.

#### Example

Grouping by Customer types – Government/ Non-Government, Local/ Foreign

### Restrictions on Use or Transferability (Assets & Liabilities)

Examples include restricted cash or ring-fenced assets/liabilities.

#### Example

Restricted Cash, Margin Deposits

## Labeling and Description Requirements

Under IFRS 18, entities are required to label and describe items presented in the primary financial statements or disclosed in the notes in a way that faithfully represents their characteristics. This guidance ensures that labels are complete, clear, and include all necessary explanations for a user to understand the reported information



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Entities must provide descriptions that accurately reflect the underlying nature or function of the items:

01

**Terminology Choice**

Entities have a choice to use alternative labels instead of the standard defined labels, as long as they are not misleading. For example, standard uses terms like “profit or loss”, “net income” is an acceptable alternative label, and entities can use “balance sheet” instead of “statement of financial position.”

02

**Consistency**

Presentation and classification of items must be retained from one period to the next unless a significant change in operations or a new IFRS Accounting Standard makes another label more appropriate.

03

**Clarity in Mixed Presentations**

If an entity presents expenses using a mix of nature and function, labels must clearly identify what is included in each line. For example, if some employee costs are in the cost of sales, a separate nature line might be labeled “employee benefits other than those included in cost of sales.”

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## Faithful Representation

After applying the principles of aggregation and disaggregation, the resulting items must be labeled and described clearly. To ensure faithful representation, the entity must provide all necessary descriptions and explanations, including the meaning of any specialized terms it uses and information about how the items were grouped.

Such items are often aggregations of individual items arising from transactions or other events. These aggregated items could be made up of individual items for which the information is material, individual items for which the information is immaterial, or a mix of both.

### Scenario

**Material item aggregated with other material items**

A summary can be provided, but the information must be disaggregated for each material item in the disclosure.

### Scenario

**Material item aggregated with immaterial items**

Find a label that describes the item for which information is **material**.

### Scenario

**Immaterial items aggregated based on similar characteristics**

Aggregate the items that share similar characteristics and describe them in a way that faithfully represents those shared characteristics.

### Scenario

**Immaterial items aggregated without shared characteristics**

Aggregate items that do not share similar characteristics and describe them in a way that faithfully represents the dissimilar characteristics of the items. This is a residual category; entities shall consider the usage of "Others" as per the guidance below.

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Use of the label “Other”

Currently, entities present under the “Others” category include almost every aspect of the financial statements, such as other financial assets, other assets/liabilities, or other income/expenses. These disclosures would need to be updated to include more detailed information on what constitutes “others,” including providing disaggregation of information, if possible, of other items that have similar characteristics.

IFRS 18 discourages the use of “other”; it should only be used if a more informative label cannot be found. Entities can use the below approaches while presenting or disclosing “others” as a category:

|                                                              |                                       | Guidance                                                                                                                                                                                                                                                                                               |
|--------------------------------------------------------------|---------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Executive Summary                                            | 01<br>Find an Informative Label       | Use informative labels that accurately represent the characteristics of the items and avoid using misleading ones.                                                                                                                                                                                     |
| Introduction                                                 |                                       |                                                                                                                                                                                                                                                                                                        |
| Key Assessment Areas                                         | 02<br>Refining description of “Other” | Use a label that describes the aggregated item as precisely as possible (e.g., “other operating expenses” or “other finance expenses”).                                                                                                                                                                |
| Classification of Income Statement                           |                                       |                                                                                                                                                                                                                                                                                                        |
| Disclosure of Management-defined performance measures (MPMs) | 03<br>Materiality Check               | If material items are included, disclose disaggregated material information in the notes.                                                                                                                                                                                                              |
| Aggregation and disaggregation requirements                  | 04<br>Magnitude of Immaterial items   | <div>If the amount is large but contains only immaterial items, disclose:</div> <ul style="list-style-type: none"><li>• Provide an explanation that no material items are included in the amount.</li><li>• Indicate the nature and amount of the largest item within that “other” category.</li></ul> |
| Transitioning into IFRS 18                                   |                                       |                                                                                                                                                                                                                                                                                                        |
| Changes in cash flow statements and Balance Sheet            |                                       |                                                                                                                                                                                                                                                                                                        |
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# Transitioning into IFRS 18

## Effective Date and Adoption

IFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027, with early adoption permitted, subject to appropriate disclosure in the notes. The standard applies retrospectively in accordance with Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8"), subject to specified exemptions.

## Reconciliations in Annual Financial Statements

In the first year of application, annual financial statements should include reconciliations for each line item in the statement of profit or loss, comparing amounts previously presented under IAS 1 with the restated amounts under IFRS 18 for the immediately preceding comparative period.

## Interim Financial Statements

During the first year, entities preparing condensed interim financial statements under Interim Financial Reporting ("IAS 34") are required to apply the headings and subtotals prescribed by IFRS 18, and to disclose reconciliations for each profit or loss line item for the comparative periods between the previous IAS 1 policies and the new IFRS 18 requirements.

## Election for Investments in Associates and Joint Ventures

At the date of initial application, eligible entities (such as venture capital organisation or a mutual fund or insurance funds) as specified under Investments in Associates and Joint Ventures ("IAS 28") may change their election to measure investments in associates or joint ventures from the equity method to fair value through profit or loss. Any such change must be applied retrospectively.

# Changes in cash flow statements and Balance Sheet

IFRS 18 introduces limited changes to the presentation of the balance sheet, such as the requirement to present goodwill separately on the face of the financial statements. In addition, IFRS 18 aligns the presentation of the statement of cash flows with the newly defined subtotals in the statement of profit or loss. A key change relates to the starting point for the indirect method, which is now the operating profit subtotal rather than profit before tax. Further, IFRS 18 mandates the presentation of interest and dividends received within investing activities, and interest and dividends paid within financing activities.

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(MPMs)

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Changes in cash flow  
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Our Propriety AI Automation  
tool for IFRS 18

Uniquis View

# Our Propriety AI Automation tool for IFRS 18

Our AI tool is designed to rapidly analyze large volumes of financial and disclosure data, map your existing chart of accounts and reporting structures to IFRS 18 requirements. Besides our proprietary AI tool can read across public documents to identify potential MPMs to be reported under IFRS 18.

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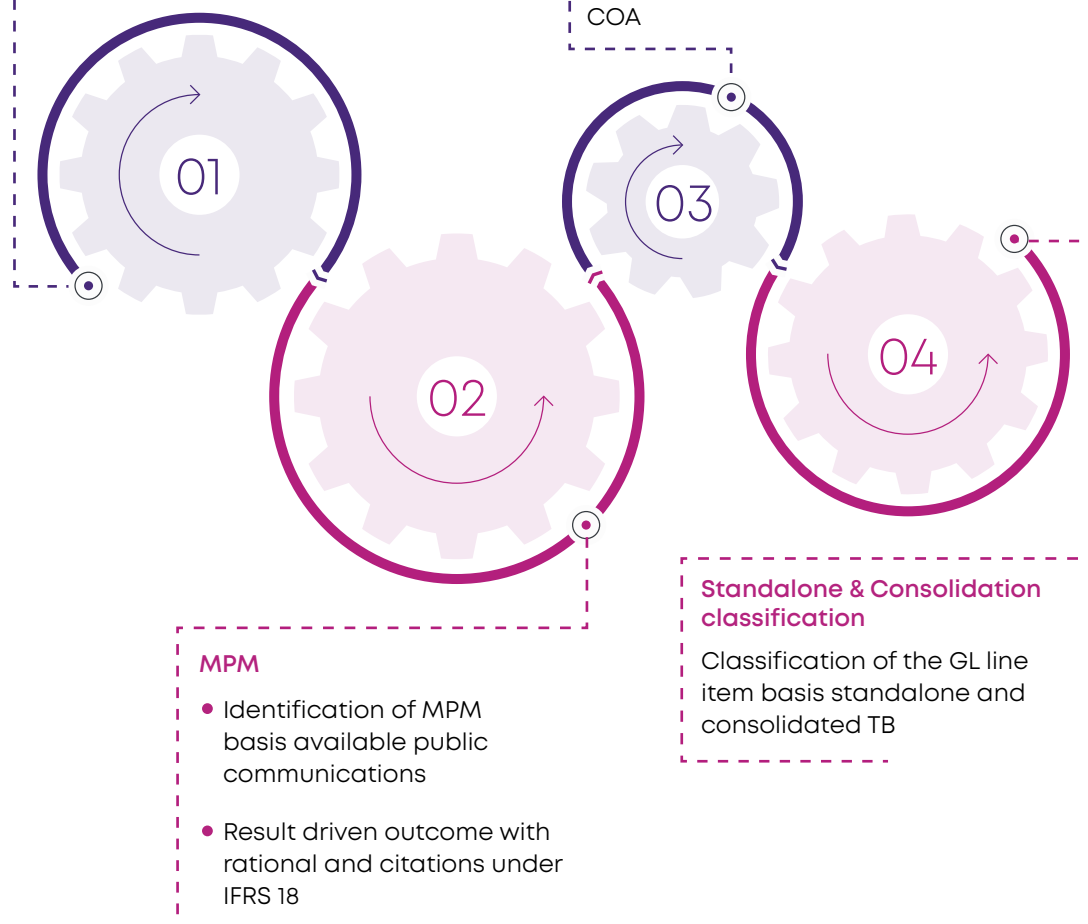
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### Income statement structure

- Classification of the GL line item basis main business activity of the entity
- Sector and entity specific outcome on real time basis

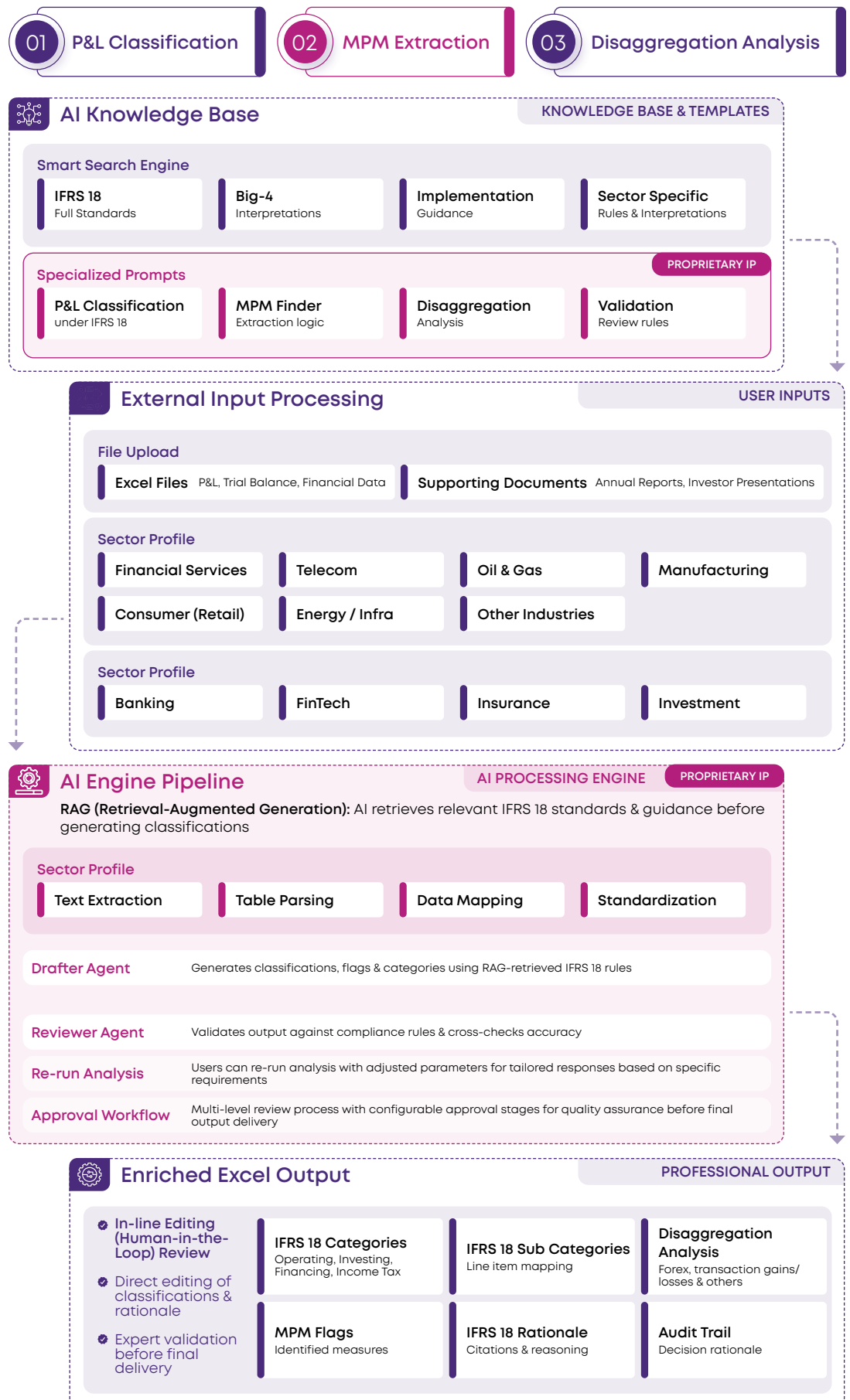
### Aggregation and disaggregation

Systematic analysis and proactive flagging of the key potential changes in COA



# Architecture of our AI Automation tool

Intelligent Automation for Compliance with IFRS 18



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# Uniquis View

Although, IFRS 18 becomes effective for annual reporting periods beginning on or after 1 January 2027, entities may need to begin developing capabilities and procedures prior to this effective date. As a part of the adoption process, management will have to carefully evaluate the following critical steps in ensuring compliance with IFRS 18 requirements:

- 01 Identification of the main business activity of the entity/group
- 02 High-level analysis of how the overall presentation of the statement of income will undergo changes, considering the 5 categories introduced by IFRS 18
- 03 Current process for tracking, accounting, and disclosing income/expense requires specific disclosures under IFRS 18
- 04 Inclusion of sub-totals, if necessary, for presenting the statement of income in a structured and meaningful manner
- 05 All the MPMs communicated by the entity, and whether these MPMs in management view correctly depict the entity's performance as a whole
- 06 For evaluation of the above factors, judgments will have to be used and disclosed wherever necessary

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Management will be required to apply judgement when performing the above evaluations to ensure alignment with the objectives of IFRS 18. The amendments introduced under IFRS 18 are intended to enhance transparency and relevance in the presentation of financial statements. The table below summarises the implementation of these amendments, highlighting the key updates introduced by IFRS 18.

| Judgement                                                             | Transparency                                                                  | Relevance                                                                          |
|-----------------------------------------------------------------------|-------------------------------------------------------------------------------|------------------------------------------------------------------------------------|
| Determining Main business activities                                  | MPM Disclosures in the financial statement                                    | Presentation of IFRS and additional Sub totals                                     |
| Aggregation and Disaggregation of line items based on characteristics | Changes in the format of Cash Flow statement and statement of profit and loss | Mandatory disclosure of MPMs with reconciliation IFRS sub-totals                   |
| Identification of MPMs                                                | Classification of income and expenses into different categories               | Choice to present statement of profit or loss by nature or funtion or mix approach |

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Classification of Income Statement

In addition to the above-mentioned specific requirements mentioned as per IFRS 18, entities will also have to consider the following factors, which are critical in ensuring the smooth transition towards IFRS 18:

Disclosure of Management-defined performance measures (MPMs)

Aggregation and disaggregation requirements

1 Entities should undertake a comprehensive re-evaluation of their entire chart of accounts to identify and group accounts with similar characteristics, taking into consideration materiality. This process involves assessing the nature and attributes of each transaction type and systematically grouping them according to predefined mapping criteria to ensure consistency, clarity, and accurate financial reporting.

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2 For entities preparing consolidated financial statements, it is essential that chart-of-account mappings are consistently aligned across all entities included in the consolidation. While certain classes of transactions may be classified differently at the standalone entity level, these classifications should be reviewed and, where necessary, remapped or reclassified to ensure consistency and comparability in the consolidated financial statements.

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3 Entities would need to undertake a one-time effort to retag their financial statements for digital filing to accommodate the new requirements. It will be helpful for entities to factor all such changes or upgrades into their budgeting exercise for 2026 to ensure a smooth transition and implementation of IFRS 18.

4 Transitioning to IFRS 18 requires an organization-wide project involving not just finance & accounts, but IT for system enhancements, investor relations for stakeholder updates, treasury for liquidity/loan covenants impacts, FP&A for planning adjustments, legal for contract reviews, and others like operations. Entities shall coordinate and collarate among departments to ensures smooth implementation, reduces risks, and aligns reporting with strategic goals.

# 5

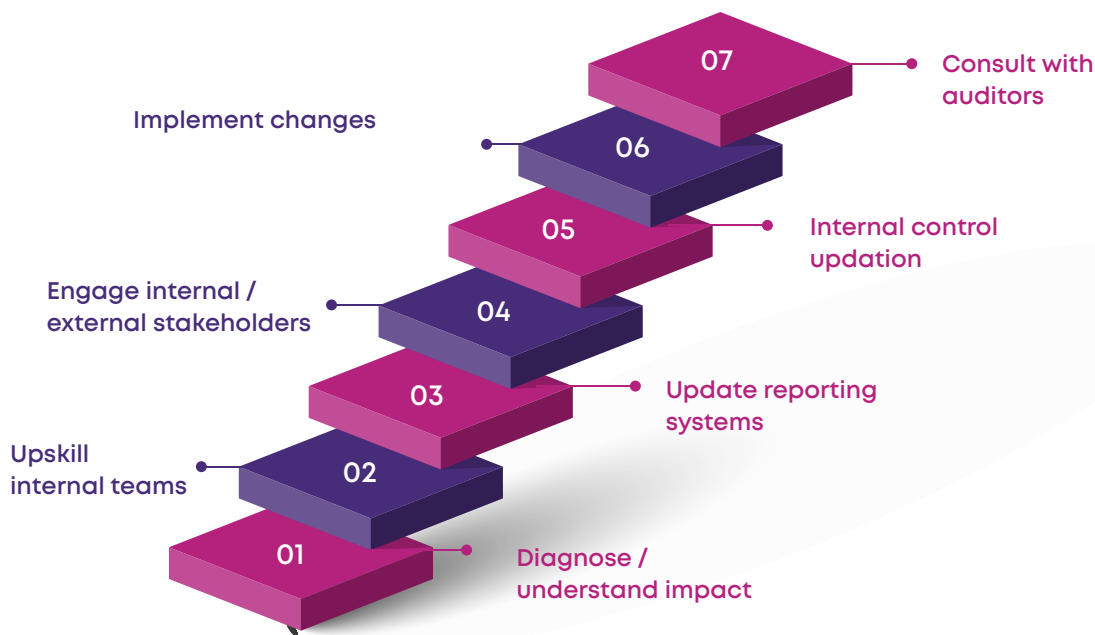
Entity need to assess IFRS 18's impact on loan covenants, as new subtotals like operating profit may alter metrics such as debt-to-EBITDA or interest cover ratios, risking breaches despite no economic change. Model restated comparatives, quantify covenant shifts from reclassifications (e.g., interest or expenses), and negotiate lender amendments early for 2027 compliance

It is critical for entities to undertake an evaluation of their current reporting processes, practices, and skills, as this evaluation is expected to have a long-term impact on both the entity's current and future operations, as well as its financial reporting dynamics.

Many companies are likely to underestimate the MPM control and audit effort. The inconsistent EBITDA, adjusted profit, and segment KPIs will now become a regulator and audit issue and not merely an investor relation exercise. This will compel companies to build congruence between statutory reporting, board packs, and investor decks thereby disclosing 'one version of truth'.

The new requirements are intended to enhance existing disclosure and reporting considerations. Accordingly, entities should assess transactions at a granular level to identify shared characteristics for appropriate classification and aggregation. This process may require significant time and effort, particularly for entities with a high volume of transactions. Given the dynamic nature of business operations, multiple iterations and management discussions may be necessary before finalization; therefore, initiating this process ahead of the effective date would help ensure readiness to comply with the requirements when they become effective.

## Steps to operationalise



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# How Uniquis can help

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## Uniquis View

### Impact assessment (leveraging our AI tool)

- Assess current financial reporting process, GL/CoA structures and MPMs reported against IFRS 18 requirements
- Determine changes needed in policies, processes and reporting (including management/external reporting)

### Design and system enablement

- Redesign chart of accounts, mapping logic and transaction flows
- Prepare Business Requirement Document (BRDs) for data/ system gaps identified
- Support system changes to enable IFRS 18-compliant analytics, classifications and disclosures (including internal/external reporting)

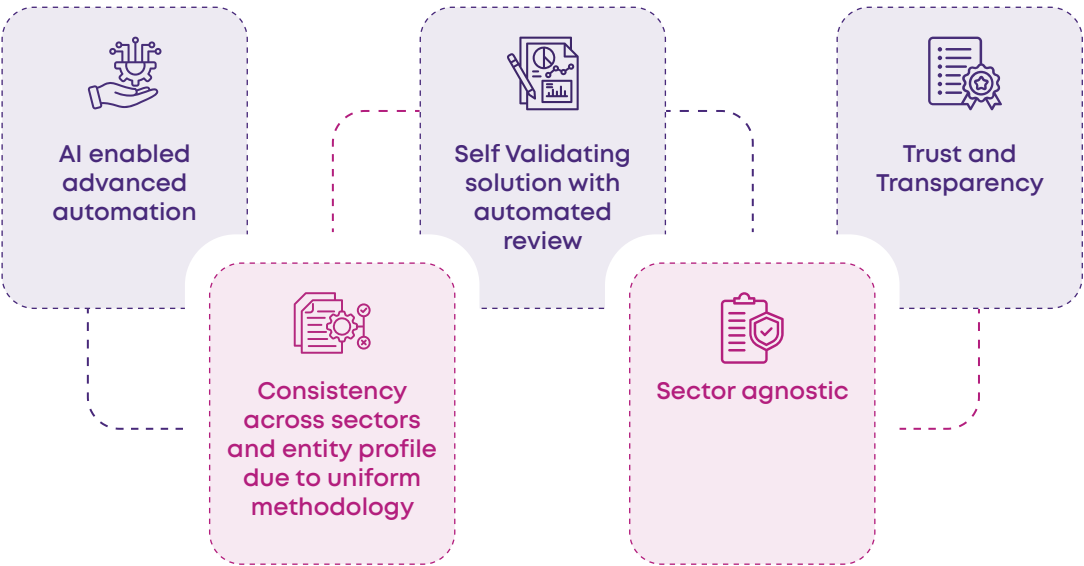
### Implementation and reporting

- Update accounting policies and procedural documents to incorporate IFRS 18 requirements
- Develop annual and quaterly IFRS 18-compliant primary financial statements and disclosure formats
- Support board/investor communication and create impactful storytelling

### Capacity building and ongoing support

- Deliver role-based IFRS 18 training
- On-call accounting support in initial reporting cycles
- Continuous technical support through design, testing and post go-live stabilization

## Key Benefits & Value Proposition



## About Uniquis Consultech:

Uniquis Consultech is a global tech-enabled consulting company that specializes in Accounting & Reporting, Governance, Risk & Compliance, Sustainability & Climate Consulting, and Tech Consulting. The Company is co-founded by consulting veterans Jamil Khatri and Sandip Khetan and backed by marquee investors such as Nexus Venture Partners, Sorin Investments, and UST. Anu Chaudhary, a global sustainability and climate specialist with over 25 years of experience, serves as the Global Head of Sustainability & Climate Consulting.

Uniquis has a global team of 700+ professionals led by 85+ Partners & Directors across eleven offices in the USA, the Middle East, and India. The company serves more than 400 clients, including marquee names in each of the markets it operates in.

Uniquis is committed to leveraging technology and an integrated global delivery model to provide best-in-class consulting services to its clients.

## About Our Accounting & Reporting Consulting Services:

In today's dynamic business environment, organizations are continuously required to adapt to the dynamic shifts in accounting & reporting standards and regulations. Enhanced management reporting requirements and accelerated reporting timelines necessitate increased automation within the finance function. Special events, such as transitioning to new accounting standards, preparing for an IPO/capital market transaction or fulfilling the reporting requirements arising from an M&A transaction, introduce additional complexities and challenges for the finance function.

As a result, organizations need to transform their finance functions from time to time with a focus on people, processes, and technology. Our Accounting & Reporting Consulting (ARC) practice is designed to partner with the finance function to navigate these challenges and with optimum use of our proprietary AI tools. Our teams function as an extension of your finance teams to execute your plans seamlessly.

We bring the necessary technical expertise, skills, technology, and bandwidth, enabling you to navigate your plans in real time without adding additional manpower costs within the organization.

## A Team That You Can Trust To Deliver



**Jamil Khatri**  
Co-Founder & CEO



**Sandip Khetan**  
Co-Founder, Global  
Head of Accounting &  
Reporting Consulting



**Ashish Gupta**  
Partner, Accounting &  
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