IFRS 18 - Presentation of Income and Expenses

June 2026

IFRS 18 becomes effective 1 January 2027 and is expected to have a material impact on how entities present their Statement of Financial Performance in the financial statements.

The Statement of Financial Performance is presented either as a single statement of profit or loss and other comprehensive income, or as two separate statements — a statement of profit or loss and a statement of other comprehensive income (the latter immediately preceding the former).

IFRS 18 introduces a new requirement for entities to *reorganise* and present income and expenses (I&E) in *profit or loss* into *five* categories. I&E include gains and losses arising from related transactions and events.

I&E are classified under the **operating category** of the statement unless they fall within another category. As a general rule, investing and financing activities that relate to an entity's main business activities are included in operating profit. An exception applies to investments accounted for using the equity method, which are always classified in the **investing category**.

Interest expenses are generally recognised in the **financing category**. However, exceptions arise where interest does not directly result from the time value of money, for example, where the interest relates to a penalty. Other I&E are included in the financing category where the underlying instrument represents *purely the provision of finance*, such as borrowings and preference shares. There is no change to the presentation of **income tax** or **discontinued operations**.

Categories of I&E in the statement of profit or loss

Operating
- I&E where main business activities are:
  - Investing in assets
  - Providing finance
- All other I&E not included elsewhere

Investing
- Investments in associates, JVs and unconsolidated subsidiaries
- Cash and cash equivalents
- Other assets – generate a return individually and largely independently from other resources

Financing
- Liabilities resulting in raising finance only (e.g. borrowings, preference shares)
- Interest from other liabilities that does not only relate to borrowings

Income Tax
- Income tax expense or income per IAS 12 (excluding taxes on discontinued operation)

Discontinued Operations
- I&E from discontinued operations – IFRS 5

Common IFRS 18 Presentation Misconceptions

What NOT to do	Why this is incorrect	What IFRS 18 requires
Applying IAS 7 meanings to operating, investing and financing categories	Under IAS 7, categories are cash flow–based and defined differently. Applying those same interpretations to IFRS 18 will lead to incorrect classification of I&E.	IFRS 18 classifications are independent from IAS 7 and focus on where income and expenses contribute to performance. Gains and losses on fixed assets are generally included in operating profits, unless specifically required otherwise.
Presenting "Operating", "Investing" and "Financing" as explicit headers in profit or loss	Illustrative examples in practice (especially informal sources) often show section headings, creating the impression of a prescribed format. This is not supported by the Standard.	IFRS 18 does not require section headers. Instead, entities present categories through *required* subtotals (see example below)

Example: Extract from Statement of Profit and Loss

xxx		
Operating loss for the year		Operating
Share of net profit of investments accounted for using the equity method	14	
Investment income	32	
Investment expenses	33	Investing
Gains/(losses) from investing activities	34	
Profit before financing and income taxes		
Finance income	35	
Finance costs	36	Financing
Gains from financing activities		
Profit before income tax		
Income tax expense	38	Income Tax
Profit from continuing operations		
Profit from discontinued operation	6	Discontinued Operations
Profit for the year		

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