

Technical Guidelines

IFRS 18

From Disclosure Discretion to Structured Accountability

A Technical Guide for Nigerian Entities



Olaitan Adesanya
oadesanya@krestonpedabo.com
Manager, Audit &
Assurance



Peter Asemah
pasemah@krestonpedabo.com
Partner, Audit &
Assurance



Killian Khanoba
kkhanoba@krestonpedabo.com
Senior Partner, Tax
Compliance & Advisory



Albert Folorunsho
afolorunsho@krestonpedabo.com
Managing Consultant
Kreston Pedabo

For enquiries: auditservices@krestonpedabo.com

Executive Summary



IFRS 18 – Presentation and Disclosure in Financial Statements represents the most consequential reform to the presentation of financial performance since the original issuance of IAS 1 in 1997. Issued by the International Accounting Standards Board (IASB) in April 2024, the standard formally replaces IAS 1 for annual reporting periods commencing on or after 1 January 2027, with retrospective application required. The Financial Reporting Council of Nigeria (FRCN), through its February 2026 public notice, has confirmed that all newly issued and revised IFRS Standards effective 1 January 2027 and beyond are mandatorily applicable in Nigeria — meaning IFRS 18 is required for annual periods, beginning on or after 1 January 2027, with restated 2026 comparatives to accompany first-year IFRS 18 financial statements.

Three structural changes define the reform. First, every line item in the statement of profit or loss must be assigned to one of five prescribed categories: operating, investing, financing, income tax, or discontinued operations. Second, entities are required to present specific profit subtotals – operating profit, profit before financing and income tax, and profit before income tax – calculated on a standardised basis that eliminates the definitional inconsistencies that have historically undermined comparability. Third, any profit measure communicated externally that departs from a prescribed IFRS subtotal constitutes a Management Performance Measure (MPM), triggering mandatory note

disclosures that include a full reconciliation to the nearest IFRS line, together with the associated tax effects and non-controlling interest impacts.

For companies, the practical consequences are significant. Operating profit will change, in most cases downward as items previously embedded in that line, including treasury income from government securities, dividends from equity holdings, and associates' profit contributions, migrate to the investing category. Entities that have relied on adjusted or underlying profit measures in their investor communications will face new disclosure requirements that demand transparency around every adjustment made.

The sections that follow set out the classification framework in detail, provide industry-specific guidance for Nigerian banks and manufacturers, illustrate the impact on the cash flow statement and segment reporting, identify areas that require significant judgment, discuss implementation considerations for finance systems and charts of accounts, and examine the benefits of the new standard for all stakeholder groups. A fully illustrative income statement demonstrating the new format is included to aid preparers in understanding the required presentation.

1

Background and Purpose of the Reform

1.1 The Limitations of IAS 1

Under IAS 1, entities enjoyed wide latitude in structuring their statements of profit or loss. While the standard required certain line items to be presented, it imposed no obligation to disclose operating profit and placed no restrictions on how companies defined that concept if they chose to present it. The consequence was a proliferation of structurally inconsistent income statements across the same sectors and geographies. Two manufacturing companies with similar business models could report materially different ‘operating profits’ simply because one included associate income and the other did not, or one classified treasury returns as operating and the other did not.

Investor feedback gathered during the IASB’s extensive consultation process consistently highlighted three deficiencies:

- 1 The absence of a standardised definition of operating profit;
- 2 The use of adjusted performance measures that were insufficiently explained or reconciled, and;
- 3 Inadequate disaggregation of expenses, particularly in entities that chose a functional presentation.

1.2 Objectives of IFRS 18

IFRS 18 addresses those deficiencies directly. Its core objectives are to establish a consistent structure for the statement of profit or loss that enables reliable cross-entity comparison; to define operating profit in a manner that is not subject to management discretion; and to impose rigour on the disclosure of non-IFRS performance measures so that users can properly assess the adjustments being made.

For companies seeking to deepen engagement with international investors, access foreign capital markets, or simply improve the quality of their financial reporting, IFRS 18 represents an opportunity as much as a compliance obligation.



2

Effective Dates and Transition Requirements

2.1 Mandatory Effective Date

IFRS 18 is mandatory for annual reporting periods commencing on or after 1 January 2027. Early adoption is permitted and should be clearly disclosed. The standard requires retrospective application in accordance with IAS 8, which means the comparative period presented alongside the first IFRS 18 annual report must be restated as if IFRS 18 had always applied.

For an entity with a 31 December year-end, the first IFRS 18 annual report will cover the year ending 31 December 2027, with restated figures for the year ending 31 December 2026 presented as comparatives. Interim financial statements prepared in 2027 under IAS 34 will similarly require IFRS 18 comparative information.

2.2 FRC Nigeria Requirements

The Financial Reporting Council of Nigeria has, through its February 2026 public notice, confirmed that IFRS 18 is

mandatorily applicable in Nigeria on the same timeline as the global mandatory date. Entities must therefore restate their 2026 financial statements as comparatives when presenting their first IFRS 18 accounts for the year ending 31 December 2027. Preparers should treat 2026 as the transition data-gathering year, not 2027.

2.3 Impracticability Exemptions

Where full retrospective application is genuinely impracticable – because historical data no longer exists, reconstruction would be prohibitively costly, or hindsight would be required to determine what amounts would have been – entities may apply IFRS 18 from the earliest practicable date and provide a clear explanation of the limitation. However, auditors and the FRCN will scrutinise impracticability claims carefully. It is advisable to begin data mapping and gap analysis as early as possible to avoid legitimate enforcement challenges.



3

The Five-Category Classification Framework

3.1 Structure Overview

IFRS 18 requires that every item of income and expense recognised in the statement of profit or loss be allocated to one of five categories. There is no residual or miscellaneous category beyond these five – every amount must find a home.

The table below summarises the categories and provides contextual examples drawn from the Nigerian reporting environment.

Table 1: The Five IFRS 18 Categories

Category	What Belongs Here	Key Examples
Operating	Includes all revenues, expenses, gains, and losses arising from the entity’s primary business activities. This is the default category; if an item does not clearly fall under investing, financing, income tax, or discontinued operations, it is classified here.	Revenue from the sale of goods, salaries and wages, depreciation of plant and equipment, cost of raw materials.
Investing	Includes returns from assets that generate value independently of day-to-day operations. This covers dividends and profit shares from associates and joint ventures, rental income from investment properties, and gains or losses on the disposal of such assets.	Dividends from equity investments, share of profit from associate companies, gain on disposal of an office building held as investment property.
Financing	Includes costs associated with raising and managing capital. This covers interest expenses on loans and bonds, IFRS 16 lease interest, foreign exchange differences on borrowings, and other costs directly related to the entity’s debt structure.	Interest on a naira-denominated term loan from a commercial bank, IFRS 16 interest on leased vehicles, foreign exchange loss on a USD facility.
Income Tax	Includes current and deferred tax charges or credits recognised in accordance with IAS 12. These are presented separately at the end of the statement of profit or loss.	Companies Income Tax (CIT) charge, deferred tax arising from accelerated capital allowances.
Discontinued Operations	Includes post-tax results of business segments classified as held for sale or already disposed of in line with IFRS 5. These are presented as a single line item after continuing operations.	Post-tax results of a business unit sold or formally committed to be sold during the year.

3.2 Required Subtotals

IFRS 18 mandates the presentation of specific profit subtotals on the face of the statement of profit or loss. These are not optional disclosures – they are required line items, calculated on a prescribed basis:

- » **Operating profit or loss:** The algebraic sum of all items in the operating category.
- » **Profit or Loss before Financing and Income tax:** Operating profit plus all items in the investing category.
- » **Profit before Income Tax:** Operating profit plus investing items, less all financing category items.

The significance of standardised subtotals cannot be overstated. For the first time, every entity applying IFRS will calculate and present operating profit or loss on an identical basis in line with their nature of operations. Comparability within sectors and across them will be materially enhanced.

3.3 Classification Decision Framework

In practice, the classification of individual income and expense lines can require judgment. The following sequential framework assists preparers in reaching appropriate conclusions:

Table 2: Classification Decision Framework

Step	Decision Question	Classification (If yes)
1	Is the item attributable to a business classified as discontinued under IFRS 5?	The item should be classified under Discontinued Operations
2	Is it a current or deferred tax charge recognised in accordance with IAS 12?	The item should be classified under Income Tax.
3	Does it arise from an asset that generates returns independently of core operations (e.g., associates, investment properties, or standalone financial investments)?	The item should be classified under Investing Category.
4	Does it relate to raising finance, servicing debt, or managing the capital structure?	The item should be classified under Financing Category
5	Do none of the above conditions apply?	The item should be classified under Operating Category (default classification).



4

Operating Profit: Definition, Scope, and Impact

4.1 A Standardised Definition

The operating category captures all income, expenses, gains, and losses that do not belong to another category. Operating is the default. If an entity cannot affirmatively demonstrate that a particular item meets the definition of investing, financing, income tax, or discontinued operations, that item is classified as operating.

Crucially, the standard makes no provision for excluding items from operating profit on the grounds that they are non-recurring, unusual, or exceptional. The concept of ‘below-the-line’ treatment for one-off items does not exist under IFRS 18. A significant impairment charge, a restructuring cost, or a one-time legal settlement – if none of these meets the definition of investing or financing – remains within operating profit. Companies wishing to highlight such items may do so through MPM disclosures, but the IFRS operating profit figure itself may not be adjusted.

4.2 Items Migrating Out of Operating Profit

For many entities, the transition to IFRS 18 will reduce reported operating profit as items that have historically been included – whether by convention or commercial logic are now re-classified. The table below summarises the most common reclassifications and their directional impact:

Table 3A: Items Likely to Migrate from Operating Under IFRS 18

Item	Current Treatment	Under IFRS 18	Impact on Operating Profit
Treasury bill and government bond income (where not related to core financial services operation)	Classified as Operating	Classified as Investing	Reduces operating profit
Dividends from equity holdings	Classified as Operating	Classified as Investing	Reduces operating profit
Share of profit from associate companies	Sometimes classified as Operating	Classified as Investing	Reduces operating profit
Fair value gains on investment properties	Classified as Operating	Classified as Investing	Reduces operating profit
Foreign exchange on naira/dollar borrowings	Mixed practice in classification	Classified as Financing	Clarifies presentation
Unwinding of discount on decommissioning provisions	Often classified as Financing	Classified as Operating	Increases operating profit
IFRS 16 lease interest	Mixed practice in classification	Classified as Financing	Standardises treatment
Rental income from investment property (if not core business)	Classified as Operating	Classified as Investing	Reduces operating profit

4.3 Illustrative Quantitative Impact

To appreciate the magnitude of potential reclassification, consider a conglomerate that currently reports operating profit of ₦9.0 billion, which includes ₦800 million of interest income from government securities, ₦500 million of dividends from an equity portfolio, and ₦1.5 billion representing the group’s share of profit from an associate. Under IFRS 18, each of these amounts migrates to the investing category: the government securities income, the dividends and associate profit to investing. Operating profit reduces to ₦6.2 billion, a decline of approximately 31%. Total profit is unchanged; only the attribution within the income statement is different. Management must be prepared to explain this clearly and proactively to their boards, investors, and analysts.

Table 3B: IAS 1 vs IFRS 18 – Side-by-Side Representation of the Conglomerate Income Statement

Line Item	IAS 1 (Before IFRS 18)	IFRS 18 (Reclassified)
Revenue	₦9,000m	₦9,000m
Interest income — govt. securities	₦800m in Operating	₦800m → Investing
Dividends from equity portfolio	₦500m in Operating	₦500m → Investing
Share of profit from associate	₦1,500m (sometimes Operating)	₦1,500m → Always Investing
Operating Profit (reported)	₦9,000m (IAS 1)	₦6,200m IFRS 18 (-31%)

Note: Total profit is identical under both standards. Only the categorisation of items within the statement changes. Yellow-highlighted cells show where reclassification moves items out of operating profit under IFRS 18.



5

Expense Presentation: Nature versus Function

5.1 The Retained Choice

IFRS 18 preserves the choice, carried forward from IAS 1, between presenting operating expenses by their nature (staff costs, depreciation, raw materials) or by their function within the entity (cost of sales, distribution, administration). The decision should reflect whichever basis provides the most relevant and reliable information to users.

Manufacturing and trading entities typically adopt a functional presentation because it generates a gross profit line – a metric of considerable analytical importance in those sectors. Service-sector entities, including many financial services companies, often favour a nature-based presentation because the functional concept of ‘cost of sales’ is less applicable or meaningful.

5.2 Mandatory Disclosure of Nature Expenses

IFRS 18 introduces a significant new requirement. Entities that choose to present expenses by function in the primary statement must now disclose, in the notes, a complete analysis of operating expenses by nature. This eliminates the previous practice of presenting a single ‘cost of sales’ line without any underlying analysis. Users will be able to see the disaggregation of that cost into staff costs, depreciation, raw materials, and other components regardless of which presentation method the entity adopts on the face of the income statement.

The incremental disclosure obligation is real and should not be underestimated. Entities will need to ensure their accounting systems can produce a nature analysis of costs that are currently aggregated by function in their chart of accounts.



6

Management Performance Measures (MPMs)

6.1 Definition and Scope

A Management Performance Measure is defined as a subtotal of income and expenses, at the profit or loss level, that is communicated externally and that is not a line item or subtotal expressly required or specified by IFRS Standards. In plain terms: any profit-based number that management uses in external communications such as press releases, results presentations, annual report highlights, or investor calls that cannot be found directly on the face of an IFRS-compliant income statement is an MPM.

Common examples include Adjusted Operating Profit, EBITDA, Underlying Earnings, Normalised Profit Before Tax, and Core Net Income. Each of these is an MPM if used in external communications. By contrast, ratios such as return on equity, earnings per share, and non-financial metrics fall outside the definition and are not subject to MPM disclosure requirements.

6.2 Why MPM Disclosure Matters

Before IFRS 18, the landscape of adjusted performance measures was essentially unregulated under IFRS. Companies could present any adjusted figure, with minimal or inconsistent reconciliation, giving management significant latitude to portray performance in the most favourable light. Investors frequently struggled to understand the relationship between IFRS profit and the adjusted numbers being promoted. IFRS 18 corrects this by making MPM disclosures a mandatory, structured part of the financial statements – not investor presentations or company websites, but the audited accounts themselves.

6.3 Required MPM Disclosures

For each MPM, the financial statements must include a dedicated note containing:

- » A statement of why management believes the measure provides useful information about the entity's financial performance.
- » A clear explanation of how the measure is calculated, including the specific adjustments applied.
- » A numerical reconciliation from the MPM back to the most directly comparable IFRS subtotal (usually operating profit or profit before tax).
- » For each reconciling item, the associated income tax effect and the effect attributable to non-controlling interests, presented as separate columns.

The last requirement on tax and NCI effects is the element that creates the most additional work for finance teams. Where an entity adds back restructuring costs to arrive at an adjusted profit, it must also calculate the notional tax the entity would have paid on those costs and show that as a deduction in the MPM reconciliation.

6.4 Illustrative MPM Reconciliation

The following table illustrates how an entity's MPM note might appear in practice for a company reporting an Adjusted Operating Profit measure that excludes

restructuring costs, an asset impairment, and a non-recurring property gain:

Table 4: Illustrative MPM Reconciliation Note (Amounts in ₦ millions)

Reconciling Item	Gross (₦'m)	Tax Effect (₦'m)	NCI Effect (₦'m)	Net (₦'m)
Operating Profit (per IFRS 18 income statement)	8,500	–	–	8,500
Add: Restructuring and staff rationalisation costs	1,200	(360)	(84)	756
Add: Impairment of intangible assets	800	(240)	(56)	504
Less: Gain on disposal of investment property	(500)	150	35	(315)
Adjusted Operating Profit (MPM)	10,000	(450)	(105)	9,445

Note: Tax effect calculated at the Companies Income Tax (CIT) rate of 30%. NCI effect represents the share attributable to the 10% minority interest in the affected subsidiaries. These rates should reflect each entity’s specific tax position and ownership structure.

6.5 Consistency and Governance

IFRS 18 implicitly requires consistency in how MPMs are defined and applied from one period to the next. An entity that changes the composition of an MPM without explanation will not be providing users with the transparency the standard intends. Finance teams should establish formal MPM governance policies that define each measure, specify which adjustments are permitted, and set out the criteria under which a measure may be discontinued or modified. Changes in definition must be disclosed, with prior-period comparatives restated or explained.

6.6 Disclosure Criteria for MPMs and Practical Examples

Before a measure qualifies as an MPM requiring disclosure under IFRS 18, it must meet all three of the following criteria simultaneously. If anyone criterion is absent, the measure does not trigger the MPM disclosure obligations:

Criterion 1: It is a subtotal of income and expenses

The measure must be profit-based. Ratios (such as return on equity or net interest margin), non-financial KPIs (such as customer numbers or market share), and balance sheet ratios do not qualify as MPMs, regardless of how prominently they are communicated.

Criterion 2: It is communicated externally

A performance measure used solely for internal management purposes (board papers, management accounts, divisional scorecards) does not constitute an MPM. The trigger is external communication: press releases, investor presentations, annual report narrative, earnings call scripts, stock exchange announcements, and company websites all count. The word “externally” should be interpreted broadly.

Criterion 3: It is not an IFRS-required line item or subtotal

If the measure corresponds exactly to a line item required or specified by IFRS Standards (such as gross profit, operating profit, profit before income tax, or profit for the year), no MPM disclosure is required. The measure must depart from IFRS presentation in some respect typically by adding back or excluding items to trigger disclosure.

Examples of Management-Defined Performance Measures

The examples below are drawn from real reporting practices observed in listed entities and their peers across comparable emerging markets. Each qualifies as an MPM under IFRS 18 when communicated externally.

MPM Label	What It Typically Excludes	Common Sector Use	IFRS 18 Trigger?
Adjusted EBITDA	Depreciation, amortisation, interest, tax, restructuring costs, one-off items, and often share-based payment charges	Telecoms, manufacturing, infrastructure, consumer goods	Yes
Adjusted Operating Profit / Underlying Operating Profit	Restructuring costs, impairment charges, transaction costs on acquisitions, and sometimes fair value movements on investment properties	Conglomerates, real estate, financial services	Yes
Normalised PBT (Profit Before Tax)	One-off legal settlements, gains and losses on disposal of subsidiaries, and hyperinflation monetary adjustments (IAS 29 items)	Banks, insurance, energy companies	Yes
Core Net Income / Cash Earnings	Goodwill amortisation (under local GAAP bridge), unrealised FX movements, and deferred tax on acquired intangibles	Banks, financial services groups	Yes
Return on Equity (ROE)	N/A — ratio not a subtotal of income and expenses	All sectors	No — ratio
Gross Profit (per IFRS 18 income statement)	N/A — this is an IFRS-required subtotal	All sectors	No — IFRS line

A practical tip: compile a list of every performance number your company has communicated externally over the last two years — in press releases, investor decks, results calls, and the annual report narrative. Run each one through the three criteria above. Any profit-based measure that is communicated externally and is not an IFRS line item is an MPM and requires a disclosure note in your audited financial statements.

7

Industry-Specific Application

7.1 Banks and Financial Institutions

Commercial banks, merchant banks, and finance companies are subject to a specific rule under IFRS 18. Because lending to customers is the core business activity of these entities, the interest income earned on loans and advances to customers is classified as operating, not financing. Similarly, the interest expense on customer deposits – the principal liability of a deposit-taking institution – remains in operating. To place such items in financing would fundamentally misrepresent the nature of banking operations.

However, not all interest-related items in a bank’s accounts share this treatment. The critical distinction is between activities that constitute the bank’s core business (deposits, lending, trade finance, transaction banking) and activities related to managing the bank’s own funding and liquidity. Income earned on government securities, Treasury Bills, and FGN Bonds that are held not as part of a customer-facing trading book but as part of the institution’s own liquidity reserve is classified as investing under IFRS 18. Similarly, interest paid on subordinated debt, Tier 2 capital, and interbank borrowings used to fund the balance sheet relates to the management of the bank’s own capital structure and belongs in financing.

Table 5: Classification Guide for Banks and Financial Institutions

Income Line	IFRS 18 Category	Rationale
Interest income from customer loans and overdrafts	Operating	Qualifies as core lending activity
Interest income on investment in Bonds, Commercial papers, Fixed Deposits, and Treasury Bills etc	Operating	Classified as operating as it arises from financial assets held as part of the Bank’s core interest-earning activities, including liquidity and balance sheet management, which are integral to its business model.
Interest expense on customer deposits (savings and term)	Operating	Cost directly attributable to core deposit-taking business
Fee and commission income (e-channels, trade finance, advisory)	Operating	Earned from core transactional services
Credit loss expense on loans and advances	Operating	Directly linked to the lending business
Staff costs, depreciation, and administrative overheads	Operating	Operational running costs
Share of profit of equity-accounted associates (e.g. insurance affiliate)	Investing	Generates returns independently of banking operations
Interest on subordinated debt and Tier 2 capital instruments	Financing	Cost of raising regulatory capital
Unrealised fair value gains or losses on trading securities	Operating	Trading is part of the bank’s core business model

Note: The above guidance applies to deposit-taking institutions. Entities whose principal activity is investment or asset management may be subject to different considerations depending on their business model.

7.2 Manufacturing and Trading Companies

For manufacturers and trading entities, the operating category will contain the full production and commercial cycle: revenue, cost of goods sold, distribution, marketing, and administrative overheads. The significant changes arise in how ancillary financial activities are treated.

Many manufacturing or trading companies hold government securities or maintain sizeable deposits as part of their working capital and treasury management. Under IFRS 18, returns from these instruments such as interest on FGN Bonds, discount income on Treasury Bills, and interest on fixed deposits with commercial banks will migrate to the investing category. These instruments are not part of the production process; they generate returns from assets held independently of the core manufacturing or trading operations.

The following practical example illustrates the classification approach for a hypothetical manufacturing group, Proforma Industrial Nigeria Plc:

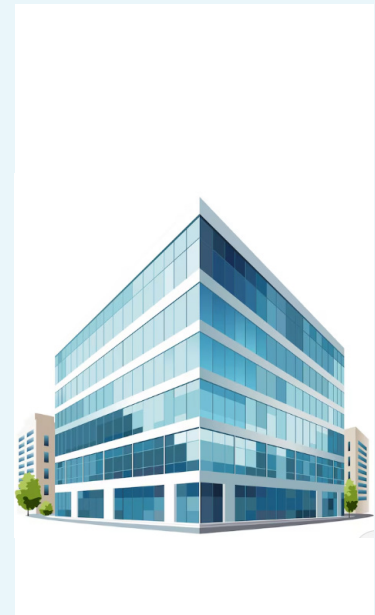
Table 6: IFRS 18 Classification for a Manufacturing Entity

Item	Category	Reasoning
Revenue from sale of finished goods	Operating	It is a core trading activity
Cost of production (raw materials, labour, factory overhead)	Operating	It is directly tied to manufacturing process
Distribution and selling expenses	Operating	It is part of the normal trading operations
Interest income on short-term naira deposits with banks	Investing	It represents returns from cash management, not production
Income from investment in Federal Government of Nigeria bonds	Investing	This represents financial investment and is separate from manufacturing
Share of profit from a logistics associate	Investing	The associate generates returns independently
Dividend from equity portfolio held for strategic purposes	Investing	It is considered a financial asset and so it is not operational
Gain on disposal of non-production land	Investing	It is an Investment asset and is not used in manufacturing
Interest on lease liabilities	Financing	It represents the finance charge portion of lease payments
Interest expense on corporate bonds, commercial papers issued, bank loans	Financing	It is classified as the cost of raising capital
Foreign exchange gains/losses on borrowings	Financing	It is linked to a financing structure
Unwinding of discount on environmental remediation provision	Operating	This arises from an operating liability, stays in the operating category

Illustrative Example: Impact on Operating Profit

Proforma Industrial Nigeria Plc currently presents operating profit of ₦12.4 billion. Embedded in that figure are: interest income of ₦700 million from Treasury Bills and FGN Bonds, dividends of ₦300 million from its equity portfolio, and ₦680 million representing the group's share of profit from AfriLogistics Limited, a 35%-owned associate that provides third-party logistics services.

Under IFRS 18, the Treasury Bill and FGN Bond income moves to investing, the dividends and associated income also move to investing. The reclassified operating profit becomes ₦10.72 billion. This does not mean the business performed worse – it means the operating result is now stated on a basis that excludes returns attributable to financial assets and equity-accounted investments. Boards and investors must be briefed on this change before it appears in published accounts.



7.3 Holding Companies and Conglomerates

For a holding companies whose economic model is centred on owning and managing a portfolio of subsidiaries and associates, IFRS 18 will produce income statements where the investing category is prominently featured. Dividends received from subsidiaries (at the parent entity level), shares of profit from associates, and gains on disposal of business units may collectively exceed the operating category items, which for a pure holding entity may consist of little more than head office costs.

This is not non-compliant. The standard does not require operating profit to be the dominant metric. It requires honest categorisation. A holding company whose business is investment should present an income statement that faithfully reflects that business model.



8

Illustrative Income Statement Under IFRS 18

The statement below presents the full income statement of Proforma Industrial Nigeria Plc, a hypothetical manufacturing entity, prepared in accordance with the IFRS 18 format. All figures are illustrative and expressed in millions of naira. The statement demonstrates the prescribed category structure, required subtotals, and the aggregation principles that should guide preparers.

Proforma Industrial Nigeria Plc Statement of Profit or Loss and Other Comprehensive Income For the Year Ended 31 December 2027		
(All figures in millions of naira)	2027	2026 (Restated)
OPERATING CATEGORY		
Revenue	42,800	38,500
Cost of sales	(26,300)	(24,100)
Gross Profit	16,500	14,400
Distribution and selling expenses	(3,200)	(2,850)
Administrative expenses	(2,800)	(2,600)
Other operating income	450	310
Unwinding of discount on decommissioning provision	(180)	(160)
Operating Profit	10,770	9,100
INVESTING CATEGORY		
Share of profit of equity-accounted associate (AfriLogistics Ltd)	680	520
Dividend income from equity portfolio	120	95
Gain on disposal of investment property	200	–
Interest income on government bonds held for treasury management	240	185
Profit before Financing and Income Tax	12,010	9,900
FINANCING CATEGORY		
Interest expense on bank borrowings	(1,450)	(1,280)
Interest expense on IFRS 16 lease liabilities	(320)	(290)
Foreign exchange loss on foreign denominated facilities	(380)	(190)
Profit before Income Tax	9,860	8,140

INCOME TAX		
Income tax expense – current year	(2,437)	(2,030)
Deferred tax charge	(196)	(152)
Profit for the Year from Continuing Operations	7,227	5,958
DISCONTINUED OPERATIONS		
Post-tax loss from discontinued textile division (IFRS 5)	(220)	(410)
PROFIT FOR THE YEAR	7,007	5,548
Other comprehensive income – net of tax	145	98
TOTAL COMPREHENSIVE INCOME	7,152	5,646
Attributable to equity holders of the parent	6,473	5,110
Attributable to non-controlling interests	679	536
TOTAL COMPREHENSIVE INCOME	7,152	5,646

Accompanying notes would include:

- a. a disaggregation of revenue by product line and geography;
- b. a breakdown of cost of sales and administrative expenses by nature (staff costs, depreciation, raw materials, other);
- c. a description of the discontinued division and the basis for IFRS 5 classification;
- d. an MPM note if management presents any adjusted profit measure externally.



9

Interaction With Other Standards

9.1 Segment Reporting Under IFRS 8

IFRS 8 requires segment information to be presented on the basis used internally by the chief operating decision maker (CODM) – the individual or group of individuals responsible for allocating resources and assessing performance. This management-reporting basis will not always align with IFRS 18 categories.

A common scenario in conglomerates is that the CODM monitors each division’s performance using a profit before interest and tax measure that happens to include associate income but excludes financing costs. That CODM measure is neither IFRS 18 operating profit (because it includes investing items) nor profit before financing and income tax (because the CODM may further exclude certain items). Segment disclosures will therefore present measures that differ from IFRS 18 subtotals, and preparers must include a clear reconciliation between segment totals and the corresponding amounts in the IFRS 18 income statement.

This reconciliation is not new in concept, IFRS 8 has always required a bridge between segment results and IFRS totals but IFRS 18 makes the exercise more precise by standardising the IFRS comparator.



9.2 Changes to the Cash Flow Statement

Perhaps the most frequently misunderstood aspect of IFRS 18 is its relationship with the cash flow statement. IFRS 18 and IAS 7 both use the terms operating, investing, and financing, but they do not use these terms with identical meaning. The categorisation framework in IFRS 18 applies only to the statement of profit or loss. The cash flow statement continues to be governed by IAS 7, which retains policy choices that IFRS 18 has removed from the income statement.

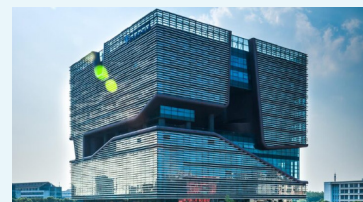
Under IAS 7, entities may classify interest received as either operating or investing, and interest paid as either operating or financing, with the choice disclosed and applied consistently. Under IFRS 18, interest received from treasury instruments goes to investing in the income statement, but an entity may still classify the corresponding cash receipt as operating in the cash flow statement if that better reflects the entity’s policy under IAS 7.

The resulting divergence; an item classified as financing in the income statement but operating in the cash flow statement will generate user confusion unless clearly explained. Financial statements should include a specific explanatory note reconciling the differences between IFRS 18 categories and IAS 7 classifications, drawing attention to the policy choices made in the cash flow statement and explaining why they differ from the income statement presentation.

From a practical standpoint, entities may wish to revisit their IAS 7 policy elections during the IFRS 18 transition to determine whether greater alignment between the two statements is achievable and would improve overall clarity.

Illustrative Example: IFRS 18 Income Statement vs IAS 7 Cash Flow Statement – Treatment of Interest

Consider Riverfield Consumer Goods Plc, a FMCG manufacturer. During the year, it receives ₦420 million in interest on FGN Bonds held for treasury management. The following table shows how this single amount appears in two different places in the financial statements under a policy where interest received is classified as operating in the cash flow statement:



	IFRS 18 – Statement of Profit or Loss	IAS 7 – Cash Flow Statement
Where does the ₦420m interest received appear?	Investing Category	Core trading activity
Shown under “Investing category” in the income statement, as income from an asset that generates returns independently of the Company’s core operations.	Operating Activities	Directly tied to manufacturing process
If the entity’s IAS 7 accounting policy classifies interest received as operating cash flows, the ₦420m cash receipt appears within operating activities in the cash flow statement even though the income is in the investing category of the income statement.	Operating	Part of normal trading operations

The key message: The same ₦420m appears in the investing category in the income statement and potentially in operating activities in the cash flow statement. This is not an error. It is a deliberate consequence of two different standards operating on two different statements with two different purposes. The note disclosures must bridge this gap clearly so that users can reconcile the two presentations without confusion.

A practical bridging note might read as follows: “Interest received on government securities of ₦420 million is classified within the investing category of the statement of profit or loss under IFRS 18, as these instruments generate returns independently of the Company’s manufacturing operations. The corresponding cash receipts are classified within operating activities in the statement of cash flows in accordance with the Company’s accounting policy under IAS 7.31(a), which the Company has applied consistently for a number of years. The Board is currently reviewing whether to revise this policy to improve alignment with the income statement presentation.”



9.3 Discontinued Operations Under IFRS 5

The interaction between IFRS 18 and IFRS 5 is straightforward. Results of discontinued operations continue to be presented as a single line item, net of tax, on the face of the statement of profit or loss. IFRS 18 formalises this as the fifth category – it does not change the measurement or disclosure requirements under IFRS 5. Entities that have divested or are in the process of divesting business units should continue to apply the IFRS 5 classification criteria and present the discontinued results below continuing operations.

9.4 Interaction Between IFRS 18 and IFRS 9 – Financial Instruments

IFRS 9 governs how financial instruments are recognised, measured, and de-recognised. IFRS 18 governs how the resulting income and expense flows are presented in the statement of profit or loss. The two standards do not conflict, but their interaction creates presentation considerations that preparers must handle carefully.

Category Classification of IFRS 9 (Income and Expense)

Under IFRS 9, financial assets are measured at amortised cost, fair value through other comprehensive income (FVOCI), or fair value through profit or loss (FVTPL). The IFRS 18 category into which the resulting income or loss falls depends on the nature of the instrument and the entity's business model. For most non-bank entities, interest income on debt instruments measured at amortised cost such as government bonds held to collect will move to the investing category under IFRS 18, since those instruments generate returns independently of core operations. Fair value gains and losses on equity investments designated at FVTPL would similarly fall in the investing category, unless those investments are integral to the entity's principal business.

Expected Credit Loss (ECL) — Where does It land under IFRS 18?

IFRS 9 requires entities to recognise expected credit losses on financial assets. The question of where that ECL charge sits in the IFRS 18 income statement depends on the nature of the underlying asset. Trade receivables and contract assets arising from IFRS 15 revenue contracts stay in the operating category as they are costs directly linked to core trading. Loan impairment charges in banks also stay in operating, because lending is the core business. However, ECL on debt instruments held as treasury investments (for example, FGN Bonds at amortised cost) should follow the same category as the income those instruments generate i.e. investing. Placing it in operating inflates operating profit and creates an inconsistency that auditors will challenge.

Does IFRS 18 Affect How Impairment Is Recognised in the Income Statement?

The short answer is no and yes. IFRS 18 does not change the recognition or measurement of impairment. Those rules remain governed by IFRS 9 (for financial assets) and IAS 36 (for goodwill, property, plant and equipment, and intangibles). What IFRS 18 determines is where the impairment charge is presented once it is recognised.

Impairment of goodwill and assets used in operations under IAS 36 will always fall in the operating category as those assets generate returns as part of the core business. Crucially, impairment cannot be excluded from operating profit simply because it is large or non-recurring. The standard is explicit on that point. A ₦5 billion goodwill write-down sits in operating profit. Companies that wish to highlight its impact on performance may do so only through an MPM note, with full reconciliation and tax-effect disclosure. For impairment of an equity-accounted associate, the charge falls in the investing category, consistent with where the associate's profit contributions are shown. This distinction is not always applied consistently under IAS 1 today, and IFRS 18 will enforce greater discipline across reporting entities.

10

Areas Requiring Significant Judgment

IFRS 18 is a principles-based standard. While the five-category framework provides clear structure, several areas require preparers to exercise careful judgment and to document that judgment in a manner that will withstand audit scrutiny and regulatory review.

Table 7: Areas of Judgment and Practical Guidance

Area of Judgment	The Challenge	Practical Guidance
Is an associate integral to operations or a financial investment?	The standard requires entities to disclose whether an equity-accounted associate is integral to the main business. This affects how the associate’s profit contribution is discussed, though not its income statement category (always investing).	<ul style="list-style-type: none"> » Document the strategic rationale for all significant associates. » Apply criteria consistently year on year.
Classifying income from government securities held by non-bank entities	For a manufacturing company holding FGN Bonds or Treasury Bills as part of its treasury management, the income is investing. But if the same bonds are held as part of a regulated reserve requirement, judgment is needed.	<ul style="list-style-type: none"> » Document the primary purpose of the holding. » Consider whether it is policy-driven (operating), regulatory (possibly operating), or pure yield-seeking (financing).
Identifying the boundary of MPMs in investor communications	Any profit subtotal disclosed to external parties that is not a prescribed IFRS line is potentially an MPM. Investor presentations, annual report highlights, and press releases all fall within scope.	<ul style="list-style-type: none"> » Compile a complete inventory of all externally communicated performance measures. » Apply the MPM test to each one before publishing.
Nature of interest in complex financial instruments	Where a loan carries a combination of fixed interest and variable features (e.g. naira bonds with inflation-linked coupons), determining the ‘financing’ element requires judgment.	<ul style="list-style-type: none"> » Obtain legal documentation and assess the economic substance. » Agree treatment with auditors early.
Segment reporting alignment with IFRS 18 categories	The chief operating decision maker may use a profit measure that includes items IFRS 18 would place in the investing or financing category. Reconciling CODM measures to IFRS 18 subtotals requires clear disclosure.	<ul style="list-style-type: none"> » Map CODM measures against IFRS 18 categories. » Include a reconciliation note where there are differences.
What constitutes a ‘useful summary’ on the face of the income statement	IFRS 18 requires disaggregation of items on the face of the statement to the extent that they provide a useful summary. Too little detail is non-compliant; too much clutters the primary statement.	<ul style="list-style-type: none"> » Apply a materiality threshold and a qualitative test: » Ask the question – “Would a reasonable user need to see this separately to understand performance?”

11

Implementation Considerations

11.1 Finance Systems and Chart of Accounts

The transition to IFRS 18 will require most entities to revisit their chart of accounts and the general ledger architecture that underpins financial reporting. Currently, many accounting systems are configured to produce income statements that reflect management’s preferred presentation rather than a structure governed by IFRS categories. The new requirement to present every income and expense item in a prescribed category means that systems must be capable of tagging each transaction at the point of entry or retrieval.

Specific system considerations include:

- » Adding IFRS 18 category codes or tags to the chart of accounts so that each nominal account is unambiguously mapped to operating, investing, or financing.
- » Configuring ERP systems (SAP, Oracle, Microsoft Dynamics, and the various tier-2 solutions common in mid-market companies) to generate trial balances sorted by IFRS 18 category, not just by traditional account groupings.
- » Building automated nature-of-expense reports for entities that present functionally, to satisfy the new note disclosure requirements.
- » Implementing data validation controls to prevent miscoding of transactions to incorrect categories, particularly for intercompany items and treasury transactions.

Entities using centralised shared service centres for finance should assess whether those centres have the requisite knowledge of IFRS 18 to correctly categorise transactions processed on behalf of multiple group entities.

11.2 Chart of Accounts Restructuring

For most entities, a comprehensive chart of accounts review will be necessary. The new chart should be structured to reflect the five IFRS 18 categories explicitly, with sub-accounts within each category aligned to the expected line items in the income statement. Care should be taken to ensure that accounts used for items subject to classification judgment (treasury income, associate returns, interest on provisions) are clearly defined and consistently applied.

Where an entity maintains separate charts of accounts for consolidated and standalone statutory reporting, both will require updating. The transition is also an appropriate moment to rationalise charts of accounts that have accumulated redundant codes over many years.

11.3 Impact on Management Reporting

The introduction of standardised IFRS 18 subtotals creates an opportunity and arguably an obligation for finance leadership to review the internal performance management framework. If management KPIs, bonus targets, and divisional scorecards are anchored to operating profit, those metrics will change in value at the point of IFRS 18 transition, even though underlying commercial performance has not. Boards and remuneration committees should consider whether incentive plan definitions need to be updated to reflect the new operating profit definition, or whether they should be deliberately set on a different basis with appropriate disclosure.

11.4 Communication and Stakeholder Management

The change in operating profit arising from reclassification alone – without any change in underlying performance – requires proactive communication. Management should brief the audit committee and full board well in advance of the first IFRS 18 publication. Major shareholders, lenders, and analysts should receive a clear technical briefing explaining the mechanical nature of the reclassification. Regulators such as Central Bank of Nigeria, NAICOM, Nigeria Stock Exchange, SEC Nigeria, and any applicable bond trustees should be informed where covenants or listing obligations reference operating profit.



12

Benefits for Stakeholders

Compliance with IFRS 18 carries tangible benefits across all stakeholder groups. These benefits should be articulated to boards and management teams who may initially perceive the transition as a burden rather than an opportunity.

Table 8: Benefits of IFRS 18 Implementation by Stakeholder

Stakeholder	Benefit	Practical Impact
Investors and Shareholders	<ul style="list-style-type: none"> » Standardised operating profit definitions enable genuine comparison across companies and sectors. » Mandatory MPM disclosures make management’s adjustments transparent. 	<ul style="list-style-type: none"> » More reliable earnings analysis. » Improved ability to assess sustainable returns. » Reduced risk of misleading performance portrayals.
Lenders and Creditors (e.g. commercial banks, DFIs)	<ul style="list-style-type: none"> » Covenant compliance tests tied to operating profit will be measured more consistently. » Debt service cover ratios become more comparable across borrowers. 	<ul style="list-style-type: none"> » More accurate credit assessment. » Improved loan pricing. » Reduced information asymmetry.
Regulators (SEC Nigeria, FRCN, CBN)	<ul style="list-style-type: none"> » Consistent income statement formats make supervision and sector-wide analysis more reliable. » Enforcement of MPM disclosures reduces selective reporting. 	<ul style="list-style-type: none"> » Stronger market integrity. » Easier cross-company surveillance. » Reduced regulatory arbitrage.
Management and Boards	<ul style="list-style-type: none"> » IFRS 18 compels alignment between internally reported performance and externally communicated metrics. » Performance management frameworks must reflect the new categories. 	<ul style="list-style-type: none"> » Cleaner Internal Governance. » Reduced risk of incentive structures rewarding the wrong things. » Better quality board reporting.
Auditors	<ul style="list-style-type: none"> » Clear classification rules provide a more defined audit framework. » MPM reconciliation requirements create a structured trail for testing. 	<ul style="list-style-type: none"> » Reduced ambiguity in audit approach. » More focused scope for challenging management judgments.
Employees and Unions	<p>Where incentive pay is linked to operating profit, the IFRS 18 transition may affect bonus calculations in year one.</p>	<ul style="list-style-type: none"> » Greater transparency in performance-linked remuneration. » Fairer basis for reward when reclassifications are clearly explained.
International Capital Market Participants	<p>Companies seeking offshore listings or international bonds will present financial statements that are more easily understood by foreign investors familiar with IFRS 18.</p>	<ul style="list-style-type: none"> » Lower information costs. » Greater confidence in Nigeria capital markets. » Potentially lower cost of capital.

13

Common Implementation Pitfalls

Based on observations from early-adopter entities in comparable markets and the experience of standard-setters and auditors during the development phase of IFRS 18, a number of recurring errors and omissions have been identified. Preparers are encouraged to use the following as a checklist in parallel with their implementation programmes.

Table 9: Common Pitfalls and How to Avoid Them

Common Pitfall	Why It Matters	How to Avoid It
Excluding items from operating profit by labelling them 'non-recurring'	Auditors will challenge the classification. 'Non-recurring' is not a category under IFRS 18. Unusual items remain in operating if they arise from core activities.	<ul style="list-style-type: none"> » Apply the five-category classification rules strictly. » Document the rationale for every judgment call.
Inconsistently changing MPMs from year to year	Investors lose confidence in management's reported measures. Regulators may question the integrity of disclosures.	<ul style="list-style-type: none"> » Establish clear MPM policies. » Only change a measure when there is a substantive business reason, and explain the change in full.
Omitting the tax effect from MPM reconciliations	The reconciliation will be incomplete and technically non-compliant, likely flagged by auditors.	Build tax-effect calculations into the MPM preparation process from the outset.
Classifying interest on operating provisions as financing	Misstates operating profit. The standard requires interest arising from operating liabilities (e.g. decommissioning provisions) to stay in operating.	<ul style="list-style-type: none"> » Audit every interest line. » Identify the underlying liability before assigning a category.
Failing to restate 2026 comparative figures	First-year IFRS 18 accounts will lack comparability, undermining the purpose of the new standard.	Begin the restatement exercise in parallel with the current-year preparation, not after year-end.
Assuming IAS 7 and IFRS 18 categories align perfectly	Users will be confused when interest received appears in different categories in the income statement and the cash flow statement.	Include clear bridging notes explaining the policy differences between IFRS 18 and IAS 7.
Failing to update loan covenant definitions before IFRS 18 goes live	Many loan agreements and bond indentures reference "operating profit" without defining it. Under IFRS 18, that term now has a prescribed, narrower meaning. An entity that was comfortably within its financial covenants under IAS 1 may technically breach them under IFRS 18 not because performance has deteriorated, but because the definition has changed.	<ul style="list-style-type: none"> » Review all loan and bond documentation now. » Identify every covenant that references operating profit, EBITDA, or interest cover. » Approach lenders and trustees to agree amended definitions or waivers well before the transition date.

Common Pitfall	Why It Matters	How to Avoid It
<p>Treating all treasury income the same way regardless of the entity’s business model</p>	<p>For a manufacturer, interest on treasury bills is investing. For a bank, it may be operating if the bills form part of the regulatory liquidity buffer tied to core operations. Blanket rules applied across group entities without considering each entity’s business model will result in systematic misclassification that is difficult to unwind after audit sign-off.</p>	<ul style="list-style-type: none"> » Apply classification rules entity by entity, not group-wide. » Document the specific rationale for each major treasury holding, and distinguish between regulatory requirements and discretionary investment decisions.
<p>Not involving auditors early enough in classification judgments</p>	<p>Several classification decisions under IFRS 18 particularly around associate income, treasury instruments, and interest on operating provisions — are matters of professional judgment. Discovering that your auditors disagree with a classification choice during the sign-off process, after restated comparatives have already been shared with the board, is an entirely avoidable problem.</p>	<ul style="list-style-type: none"> » Share draft classification policies with external auditors during the data-mapping phase, not at year-end. » Build audit alignment into the project timeline as a formal milestone, not a final-stage check.
<p>Underestimating the MPM inventory — assuming only formal “adjusted” figures qualify</p>	<p>Many entities communicate multiple profit-based numbers in different venues without recognising that each one could constitute an MPM. A CEO who mentions “profit excluding FX losses” casually in an earnings call has potentially created an MPM that requires a disclosure note. The standard does not distinguish between formal and informal external communications.</p>	<ul style="list-style-type: none"> » Conduct a thorough MPM audit covering all external communication channels. » Brief relevant teams, executive leadership, and board members on what constitutes an MPM before the transition period begins.
<p>Misclassifying IFRS 9 expected credit loss (ECL) charges on treasury instruments as operating</p>	<p>An ECL charge on a government bond held for yield management should follow the same category as the income from that bond — investing, not operating. Placing it in operating inflates operating profit and creates an inconsistency that auditors and analysts will notice.</p>	<ul style="list-style-type: none"> » Map ECL charges to the same IFRS 18 category as the instrument that generates the credit exposure. » This is an area where IFRS 9 and IFRS 18 intersect, and the classification decision must be deliberate and documented.

14

Implementation Roadmap

In February 2026, the Financial Reporting Council of Nigeria issued a public notice confirming that all newly issued and revised IFRS Standards effective 1 January, 2027 and beyond are mandatorily applicable in Nigeria. This notice does not establish an earlier effective date for IFRS 18, it confirms Nigeria’s adoption of the IASB’s global mandatory date of 1 January 2027. All entities reporting under IFRS; whether public interest entities, private sector companies, or any other class of entity are therefore required to adopt IFRS 18 for annual reporting periods beginning on or after 1 January 2027, with restated 2026 comparatives required in the first year of application.

With the mandatory date of 1 January 2027 now confirmed, entities should be well advanced in their implementation programmes. The roadmap below is structured around the critical milestones through to first publication and is calibrated for an entity with a 31 December year-end. Entities with non-December year-ends should adjust the phasing accordingly. Entities with complex group structures, multiple foreign currency borrowings, or extensive MPM communication practices will require more intensive effort in several phases.

Table 10: A guide to transition

Period	Urgency	Actions Required	Responsible Party
Q2 2026 (Apr–Jun) — Current Period	Immediate Action Required	Complete P&L category mapping for all income and expense lines under IFRS 18 if not already commenced. Quantify the impact on operating profit using the 2025 full-year figures as a basis. Identify all classification judgment areas and document preliminary positions. Engage external auditors on approach and agree key classification policies. Begin drafting the IFRS 18 accounting policies document. Identify all externally communicated performance measures and assess which qualify as MPMs. Review all loan agreements and bond indentures referencing operating profit or EBITDA and approach lenders regarding amended definitions. Commence awareness training for finance and accounts staff on the fundamentals of the five IFRS 18 categories and the key differences from IAS 1.	<ul style="list-style-type: none"> » CFO » Group Finance Team » Technical Accounting Team
Q3 2026 (Jul–Sep)	Active Preparation	Finalise and approve the IFRS 18 classification accounting policies document. Design the new income statement template and all required note disclosures, including the nature-of-expense note and MPM reconciliation format. Complete chart of accounts restructuring and ERP system configuration. Run H1 2026 management accounts in parallel IFRS 18 format as a dry run to test system outputs and identify data gaps before year-end. Brief the audit committee and full board on the expected impact on reported operating profit.	<ul style="list-style-type: none"> » CFO » Head of Finance » External Auditors » Legal (covenants)

Period	Urgency	Actions Required	Responsible Party
Q4 2026 (Oct–Dec)	Finalise & Communicate	Prepare and issue stakeholder communications to major shareholders, lenders, analysts, and regulators (NSE, SEC, CBN as applicable) explaining the mechanical impact of IFRS 18 reclassification on reported operating profit. Finalise and agree any outstanding covenant waivers or amended definitions with lenders. Obtain auditor agreement on all key classification judgments and MPM scope. Complete the full retrospective restatement of the 2026 comparative year in IFRS 18 format ready for inclusion in the 2027 annual report. Conduct a pre-go-live refresher training session for all relevant finance staff to confirm readiness, address queries arising from the parallel dry run, and rehearse transaction coding under the new chart of accounts. Ensure all ERP systems are correctly configured and tested for live IFRS 18 transaction capture commencing 1 January 2027.	<ul style="list-style-type: none"> » Group Finance Team » External Auditors Board » Company Secretary
Q1 2027 (Jan–Mar)	First Live Period	IFRS 18 goes live from 1 January 2027. All income and expense transactions are captured under the five-category framework from this date. Provide on-the-job coaching for finance and accounts staff as live classification decisions arise, resolving judgment calls in real time and reinforcing correct transaction coding under the new chart of accounts. Produce Q1 2027 management accounts in full IFRS 18 format.	<ul style="list-style-type: none"> » CFO » Head of Finance » External Auditors » The Board
Q2–Q4 2027	Live Adoption	Continue live IFRS 18 transaction capture across all categories. Prepare interim financial statements for H1 2027 under IAS 34 with restated H1 2026 IFRS 18 comparatives. Close the 2027 financial year with all income and expense transactions correctly categorised. Compile the full-year trial balance under IFRS 18 and submit to external auditors for the commencement of the year-end audit.	<ul style="list-style-type: none"> » Group Finance Team » External Auditors
Q1–Q2 2028	Close-Out & Publication	Complete the external audit of the 2027 annual financial statements; the first prepared under IFRS 18. The audited accounts must include: restated 2026 comparative income statement and cash flow statement; a transition disclosure note; MPM reconciliation notes for all externally communicated performance measures; and a nature-of-expense note for entities presenting functionally. Obtain the external audit opinion. Approve and sign the annual report at board level. File with the applicable regulators within statutory deadlines. Commence the 2028 reporting cycle with IFRS 18 fully embedded as standard practice across systems, policies, and staff capabilities.	<ul style="list-style-type: none"> » The Board » External Auditors » Group Finance Team » Company Secretary » Regulators

A note on impracticability: With the mandatory effective date of 1 January 2027 now confirmed, entities that have not yet begun their classification mapping will face real challenges in restating 2026 comparatives on a fully retrospective basis. Where impracticability can be genuinely demonstrated because source data no longer exists or reconstruction would involve hindsight, entities may apply IFRS 18 from the earliest practicable date and disclose the limitation clearly. However, the FRCN is expected to apply rigorous scrutiny to impracticability claims. All entities are strongly advised to engage their auditors and the FRCN early, document their position thoroughly, and avoid treating impracticability as a convenience rather than a genuine constraint.

IFRS 18 represents the culmination of a decade of investor feedback and standard-setter deliberation. Its impact on the operating profit line, the discipline it introduces around management performance measures, and the systemic changes it requires in reporting infrastructure make it one of the most operationally significant IFRS transitions in recent memory.

For the business environment, the transition arrives in a context of continued growth in foreign portfolio investment, increasing domestic capital market sophistication, and heightened regulatory expectations around the quality of financial disclosure. IFRS 18 aligns with each of these dynamics. Entities that present standardised, transparent, and well-explained income statements will be better placed to attract patient capital, maintain creditor confidence, and demonstrate to regulators and the broader market that their governance is of international calibre.

The practical work required is substantial but manageable with adequate lead time. System updates, chart of accounts restructuring, classification policy documentation, MPM governance frameworks, and stakeholder communication programmes all require investment of time and resources. Entities that begin this work now, engage their auditors early, and treat the transition as a reporting quality initiative rather than a compliance formality will be well positioned when January 2027 arrives.

The standard does not change how businesses generate profit. It changes how that profit is explained. And in financial markets, how clearly and honestly performance is explained matters enormously.



[Click here to watch our podcast on the same topic for expert insights.](#)

Appendix: Key Reference Paragraphs in IFRS 18

The following table identifies the primary paragraphs in IFRS 18 relevant to each major topic addressed in this guide. Readers requiring detailed technical analysis are directed to the full text of the standard, available through the IFRS Foundation website.

Table 11: IFRS 18 Paragraph Reference Guide

Topic	IFRS 18 Reference
Scope and objective of the standard	Paragraphs 1 to 8
Aggregation and disaggregation principles	Paragraphs 41–45 and B16–B23
Categories in the statement of profit or loss — all five categories	Paragraphs 47–68
Operating category	Paragraph 52 and B42
Investing category	Paragraphs 53–58 and B43–B49
Financing category	Paragraphs 59–66 and B50–B59
Required subtotals and additional subtotals	Paragraphs 69–74
Presentation and disclosure of expenses (nature vs function)	Paragraphs 78 to 85
Management-defined performance measures — identification and disclosure	Paragraphs 117–125 and B113–B142
Effective date and transition requirements	Appendix C, Paragraphs C1–C8
Entities with specified main business activities (banks, investment entities, lessors)	Paragraphs 49–51 and B30–B41
Income taxes category	Paragraph 67 and B65–B69
Discontinued operations category	Paragraph 68
Classification of foreign exchange differences and derivatives	Paragraphs B65–B76
Items to be presented in the statement of profit or loss	Paragraphs 75–77 and B77–B79
Totals and structure of the statement of financial position	Paragraphs 96–106 and B90–B111
Statement of changes in equity	Paragraphs 107–112



Lagos Offices:

67, Norman Williams Street
SouthWest, Ikoyi
Lagos - Nigeria
Tel: 01-2919041; 0808 820 8747

27, Alhaji Bashorun Street
SouthWest, Ikoyi
Lagos - Nigeria

info@krestonpedabo.com
www.krestonpedabo.com

Abuja Office:

Ground Floor, Amb. Albert
Osakwe House
1473, Inner Block Street
Central Business District
Abuja FCT - Nigeria

Tel: 0706 546 89824

Legal Disclaimer:

The material contained in this publication is provided for general information purposes only and does not contain a comprehensive analysis of each item described. Before taking (or not taking) any action, readers should seek professional advice specific to their situation. No liability is accepted for acts or omissions taken in reliance upon the contents of this alert.

© 2026 Kreston Pedabo. All rights reserved. "Kreston Pedabo" refers to the firm of Kreston Pedabo Associates Ltd. or, as the context requires, Kreston Pedabo Audit Services, Kreston Pedabo Professional Services or Pal Nominees, each of which is a separate and independent legal entity.