IFRS 18: PREPARING FOR THE FUTURE OF FINANCIAL REPORTING

Presentation and Disclosure inFinancial Statements—whateveryNigerianbusinessneedsto know before the 1 January 2027 effective date.

REPLACES
IAS 1 — Presentation of Financial Statements

EFFECTIVE
Annual periods beginning 1 January 2027

2026 COMPARATIVE
Must be restated under the new standard

AT A GLANCE

The 90-Second Read

Forpartners,CFOs,andauditcommitteeswhoneedthe headline before the detail.

WHAT CHANGES

IFRS 18 replaces IAS 1 and imposes a mandatory five-category structure (Operating, Investing, Financing, Income Taxes, Discontinued Operations) with two new required subtotals: Operating Profit, and Profit before Financing and Income Tax.

BY WHEN

Effective for annual periods beginning 1 January 2027. Because the 2026 comparative period must be restated, system and chart-of-accounts changes need to be substantially complete during 2026 — not deferred to 2027.

WHAT TO DO NOW

Commission a gap assessment against current presentation, formalise any Management Performance Measures in use, and engage your external auditor early on classification judgement calls.

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OVERVIEW

IFRS 18 represents the most significant change to financial statement presentation in over two decades. It introduces a structured approach to how companies present income and expenses. Early preparation is essential to a smooth transition — this issue sets out what changes, why, and how SAC can support your transition.

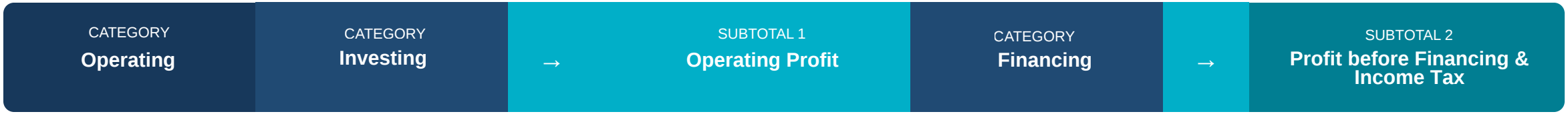
SECTION 01

A New Structure for Profit or Loss

IFRS18replacestheflexibilitypreviouslyallowedunderIAS1withamandatoryclassification structure and two new required subtotals.

Companies must now classify all income and expenses into defined categories, with required subtotals that enhance comparability across entities and industries. This represents a fundamental shift in how financial statements are prepared — companies will need to redesign their chart of accounts, update financial reporting systems, and retrain finance teams to ensure compliance.

THE STRUCTURE, VISUALISED



WHY THIS MATTERS

Income Taxes and Discontinued Operations remain as separate mandatory categories below these subtotals — the full five-category structure is set out overleaf. These two subtotals are now mandatory for all entities reporting under IFRS, closing off the presentation discretion many preparers currently rely on.

SECTION 02

The Five Mandatory Categories

Everyline ofincomeandexpensemustnowbeclassifiedintooneoffivedefined categories. Examples below are framed for a Nigerian corporate context.

Category	Examples
Operating	Revenue, cost of sales, selling expenses, administrative expenses, R&D costs
Investing	Interest income, dividend income, gains/losses on disposal of investments, share of profit from associates
Financing	Interest expense on borrowings, lease liability interest, FX gains/losses on financing activities
Income Taxes	Current tax expense, deferred tax adjustments, withholding tax on investment income
Discontinued Operations	Post-tax profit or loss of discontinued operations, gain/loss on disposal of discontinued segments

ILLUSTRATIVE EXAMPLE — MANUFACTURING COMPANY

A Nigerian manufacturing company would classify raw material costs and factory wages under Operating, interest earned on deposits under Investing, bank loan interest under Financing, company income tax under Income Taxes, and any sold-off business units under Discontinued Operations.

KEY BENEFIT

Enhanced transparency and comparability across entities, industries, and jurisdictions — enabling better-informed decisions by investors and regulators.

SECTION 03

Beyond the Bottom Line

ThreefurtherdisciplinesIFRS18imposesonpresentationand disclosure.

01 — MPMS

Management Performance Measures

Companies using non-GAAP metrics such as Adjusted EBITDA must now provide formal disclosure of: a clear definition, the calculation methodology, a reconciliation to the closest IFRS-defined subtotal, and an explanation of why the measure is useful.

02 — DISCIPLINE

Aggregation & Disaggregation

Vague line items such as "other expenses" are eliminated. Entities must disaggregate information based on shared characteristics, ensuring statements provide meaningful, decision-useful data rather than obscuring detail within aggregated totals.

03 — NOTES

Enhanced Disclosure Requirements

Significant emphasis on clarity, readability, and consistency. Notes must be organised logically, with related information grouped together and cross-referenced — reducing information overload while improving overall usefulness.

KEY TAKEAWAYS

- MPMs bring non-GAAP metrics under formal IFRS governance
- Vague "other expenses" line items will no longer be acceptable
- Disclosures must be logically organised and cross-referenced
- Finance teams must review current reporting practice against the new requirements

SECTION 04

Why Companies Should Start Preparing Now

WithIFRS18 effectivefrom1January 2027, the 2026comparative periodmustberestatedunderthenewstandard — impact assessment andsystemchangeneed tobe well advancedbefore then.

1. Review current financial statement presentation against IFRS 18 requirements
2. Redesign the chart of accounts to accommodate the five mandatory categories
3. Modify ERP and financial reporting systems to generate new subtotals
4. Identify and document all Management Performance Measures (MPMs)
5. Assess disaggregation requirements and eliminate vague line items
6. Prepare restated 2026 comparatives under the new presentation format
7. Train finance teams on the new classification and disclosure requirements

EARLY PREPARATION REDUCES RISK

Companies that begin transition planning in 2026 will have sufficient time to test new systems, train staff, and resolve classification issues before the mandatory effective date.

BENEFITS OF EARLY PREPARATION

- Reduced risk of material misstatement
- Smoother audit process
- Better stakeholder communication
- Competitive advantage in reporting quality

SECTION 05

Recommended Action Plan & SAC Support

SEVEN-STEP READINESS PLAN

1. Conductanimpactassessmenttoidentify gaps vs. IFRS 18 requirements
2. Implementprocesschangestocapture data for new classification categories
3. ReviewandformaliseallMPMswithrequired disclosures
4. Updatefinancialreportingsystemsand ERP configurations for new subtotals
5. Developtrainingprogrammesforfinance teams
6. Preparepilotfinancialstatementsunder IFRS 18 format using 2026 data
7. Engageexternalauditorsearlytoalign on interpretation and presentation choices

OUR SUPPORT

SAC offers comprehensive support for your IFRS 18 transition:

- Readiness Assessments
- Gap Analysis
- Financial Statement Redesign
- MPM Review
- Accounting Policy Updates
- Finance Team Training
- End-to-End Implementation

Contact us to discuss your transition plan →

CLOSING PERSPECTIVE

Looking Ahead

IFRS18 represents more than a changein presentation — it signals a fundamental shift toward greater transparency, comparability, and accountability in financial reporting. For Nigerian businesses, early engagement with the standard is not just advisable; it is essential. Companies that embrace IFRS 18 proactively will be better positioned to communicate their financial performance clearly to investors, regulators, and other stakeholders.

FINAL THOUGHT

IFRS 18 is not merely a compliance exercise — it is an opportunity to align financial reporting with the digital transformation of business. Companies that invest in understanding and implementing the standard now will reap the benefits of clearer communication, stronger investor confidence, and enhanced market credibility.

To discuss how SAC can support your IFRS 18 transition, contact us at **info@sac.com.ng** or visit **www.sac.com.ng**

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