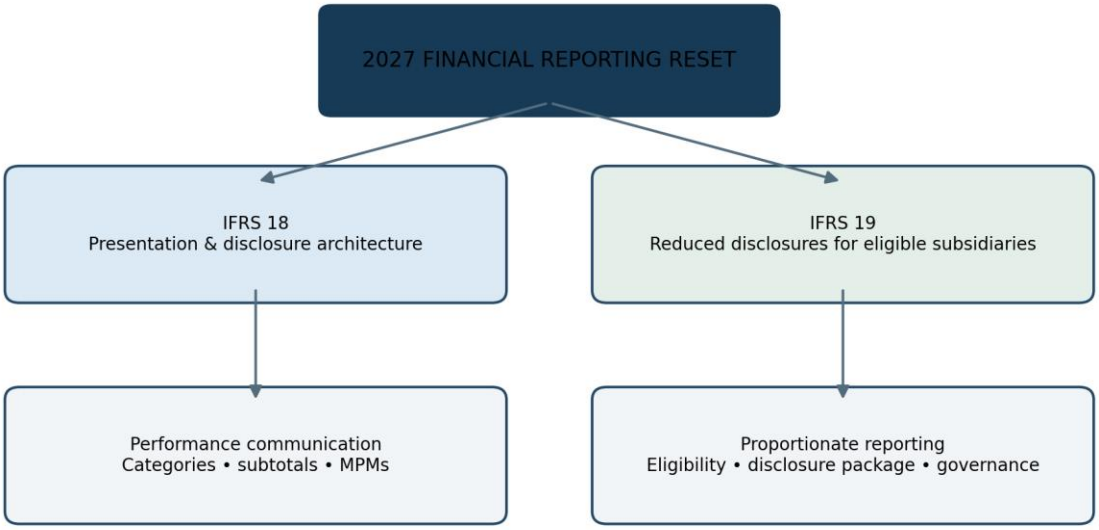
HAFSA RESEARCH AND ANALYSIS COMPANY

FLAGSHIP RESEARCH WHITE PAPER

NAVIGATING IFRS 18 & IFRS 19

Architecture for the 2027 Financial Reporting Reset



A strategic guide to performance presentation, disclosure proportionality, transition governance and implementation execution

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Prepared by Hafsa Research and Analysis Company

INDEPENDENT RESEARCH • TECHNICAL ANALYSIS • EXECUTIVE INSIGHT

Executive perspective

The 2027 reporting cycle marks a structural change in how IFRS reporters communicate financial performance and how certain subsidiaries provide disclosures. IFRS 18 Presentation and Disclosure in Financial Statements replaces IAS 1 and introduces a more disciplined statement-of-profit-or-loss architecture, specified subtotals, disclosures for management-defined performance measures (MPMs), and strengthened principles for aggregation and disaggregation. IFRS 19 Subsidiaries without Public Accountability: Disclosures offers a separate, voluntary disclosure route for qualifying subsidiaries while retaining the recognition, measurement and presentation requirements of other IFRS Accounting Standards.

The two standards solve different problems. IFRS 18 seeks to make performance reporting more comparable and understandable. IFRS 19 seeks to reduce disclosure burden for a defined population without abandoning IFRS recognition and measurement. Together, they create a reporting architecture that is more structured at group level and potentially more proportionate at eligible subsidiary level.

- IFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027; earlier application is permitted.
- IFRS 19 is effective for annual reporting periods beginning on or after 1 January 2027; earlier application is permitted.
- IFRS 18 is applied retrospectively, requiring restated comparative profit-or-loss information and specified reconciliations.
- IFRS 19 is an election, not an automatic exemption; eligibility and additional disclosure needs must be assessed.
- Implementation is a finance transformation programme involving accounting policy, data, systems, controls, governance and investor communications.

Central thesis The 2027 reset should be managed as a redesign of reporting information flows—not as a year-end formatting exercise.

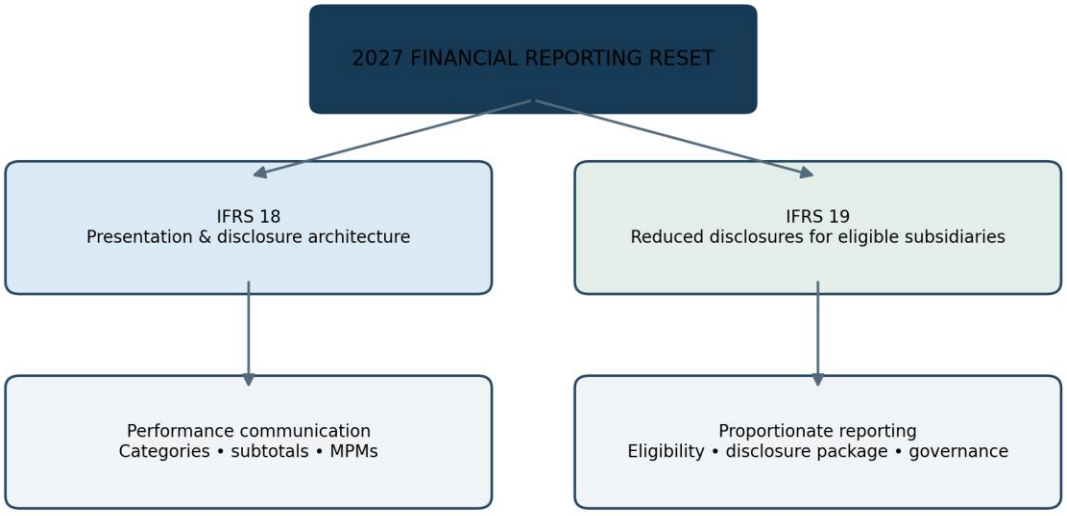
For calendar-year entities, 2026 is the practical readiness and comparative-data year. Decisions made during 2026 determine whether the first IFRS 18 annual report can be produced with controlled, explainable comparatives in 2027.

The standards at a glance

Dimension	IFRS 18	IFRS 19
Primary purpose	Improve presentation and disclosure of financial performance and financial statement information.	Permit eligible subsidiaries without public accountability to use reduced disclosure requirements.
Who is affected	Entities applying IFRS Accounting Standards in general purpose financial statements.	Subsidiaries meeting both eligibility conditions and electing to apply the Standard.
Core mechanism	Profit-or-loss categories and subtotals; MPM disclosures; aggregation/disaggregation principles.	Disclosure requirements in IFRS 19 replace disclosure requirements in other IFRS Standards.
Recognition and measurement	Does not generally change recognition or measurement outcomes.	Retains recognition, measurement and presentation requirements of other IFRS Standards.
Effective date	Annual periods beginning on or after 1 January 2027.	Annual periods beginning on or after 1 January 2027.

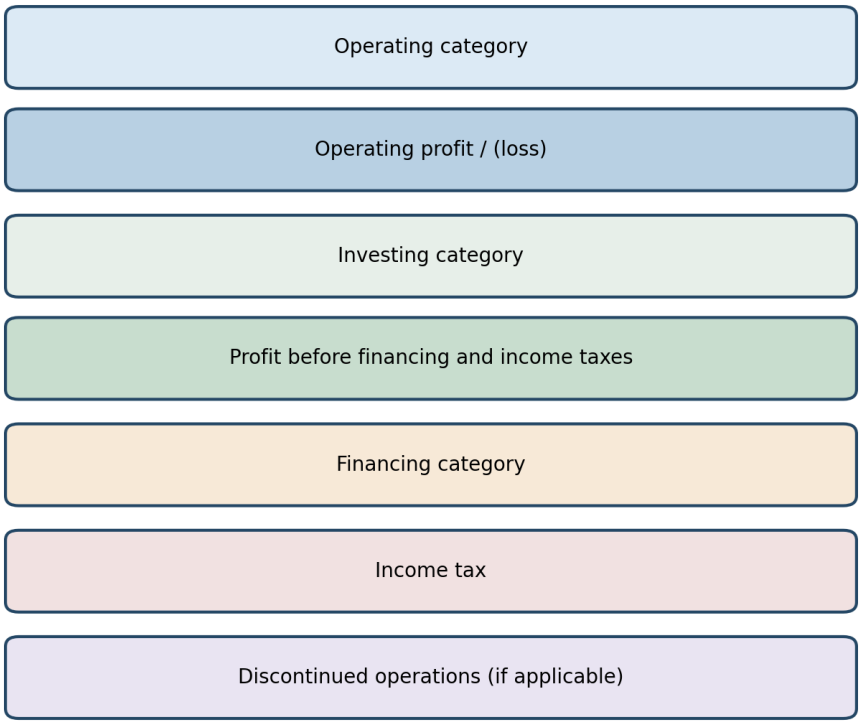
IFRS 18 is not simply a new income-statement template. It changes the classification logic used to organise income and expenses and introduces disclosure discipline around certain non-IFRS subtotals communicated publicly by management. IFRS 19 is not a simplified accounting framework. It changes the disclosure package available to eligible subsidiaries, while the underlying accounting remains anchored in the relevant IFRS requirements.

The standards should be assessed together where a group prepares consolidated financial statements and has subsidiaries that may qualify for IFRS 19. The parent's consolidation process must be able to receive subsidiary reporting packages prepared using reduced disclosures while still producing group-level disclosures required by the full IFRS framework.



IFRS 18: the new performance architecture

IFRS 18 introduces defined categories for income and expenses in the statement of profit or loss: operating, investing, financing, income taxes and discontinued operations. It requires the presentation of operating profit or loss and profit or loss before financing and income taxes. The objective is to provide more consistent anchor points for users while preserving the need to understand the entity's business model and facts.



The operating category is a residual category for income and expenses not classified in the investing, financing, income tax or discontinued operations categories. The investing category generally captures returns from assets that generate a return individually and largely independently of other resources, subject to the Standard's detailed requirements. The financing category captures specified income and expenses from liabilities arising from transactions that involve only the raising of finance, together with other specified financing items.

Important judgement Classification is not a free policy choice. Apply the Standard's requirements, including the specified-main-business-activity assessment where relevant.

Banks, insurers, investment entities, property groups and entities that provide financing to customers may experience different category outcomes because the nature of their main business activities affects classification. Document the analysis using evidence about operations, business model, performance reporting and asset/liability management.

Category classification: decision logic

A disciplined classification process begins with the nature of the income or expense and the underlying asset or liability. The entity then considers whether a specified main business activity—investing in assets or providing financing to customers—changes the applicable classification. The assessment is a matter of fact and judgement supported by evidence, not a label management can select to achieve a preferred subtotal.

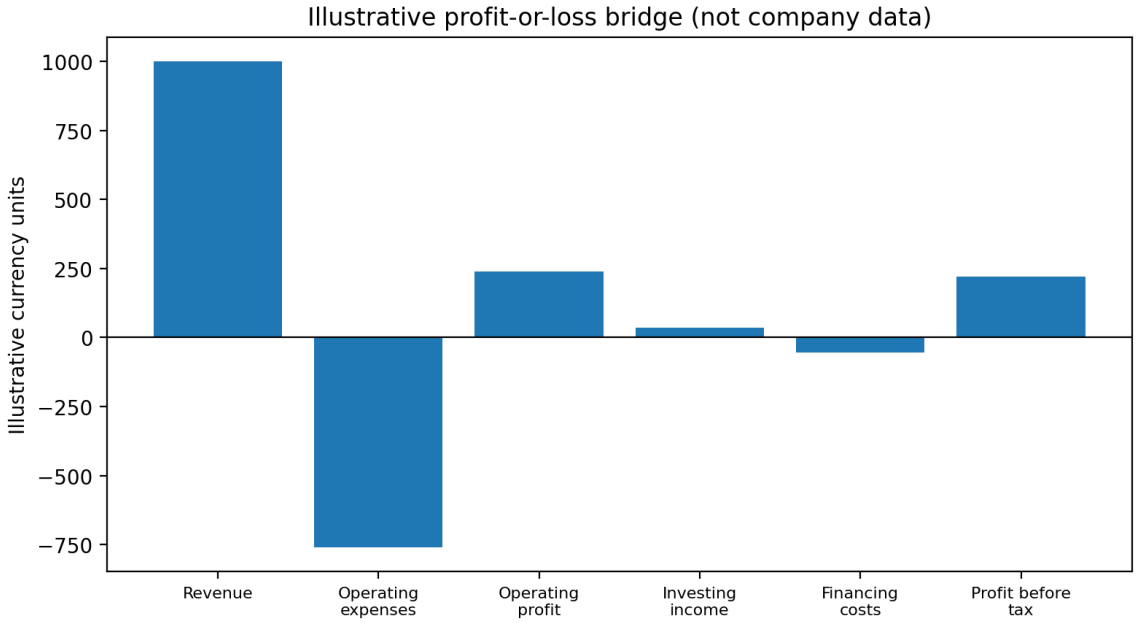
Decision question	Implementation evidence
What asset or liability gives rise to the item?	Contract, ledger account, instrument type, accounting policy and transaction documentation.
Does a specific category requirement apply?	IFRS 18 paragraph analysis and documented accounting conclusion.
Is investing in assets or providing financing to customers a main business activity?	Business model, segment information, external communications, internal reporting and operating evidence.
Does the conclusion affect multiple classes of income and expense?	Cross-account mapping and consistent treatment across periods.
What controls evidence the classification?	Approved policy, mapping ownership, review control and exception log.

A common failure mode is to classify line items based solely on their general ledger labels. For example, a label such as ‘interest income’ does not itself settle the category. The nature of the related activity, the entity’s specified main business activity and the detailed requirements must be considered.

Control principle Create a classification decision register that records the item, applicable paragraph, facts, judgement, reviewer, effective date and system mapping.

Worked exhibit: illustrative profit-or-loss bridge

The following example is deliberately simplified and uses illustrative currency units. It demonstrates how a reporting team might communicate the movement from revenue and operating expenses to defined subtotals. It is not a substitute for applying the detailed classification rules to actual transactions.



Illustrative item	Amount	Illustrative treatment
Revenue	1,000	Operating category
Operating expenses	(760)	Operating category
Operating profit	240	Required subtotal
Investing income	35	Investing category
Profit before financing and income taxes	275	Required subtotal in this simplified illustration
Financing costs	(55)	Financing category
Profit before tax	220	After tax category would be presented separately

In practice, the statement may contain additional line items, and classification depends on IFRS 18 requirements and the entity's circumstances. The example deliberately omits tax and discontinued-operation amounts to isolate the architecture.

Interpretation A subtotal can remain numerically unchanged while the route by which its components are classified and disclosed changes materially.

Management-defined performance measures

IFRS 18 requires disclosures about management-defined performance measures (MPMs). In broad terms, an MPM is a subtotal of income and expenses that an entity uses in public communications outside the financial statements to communicate management's view of an aspect of the entity's financial performance, and that is not a specified subtotal or total listed by IFRS 18 or otherwise excluded by the Standard.

Examples may include adjusted operating profit, underlying earnings or adjusted EBITDA, where the measure meets the definition. A measure does not become an MPM merely because management uses it internally. Conversely, public use in investor presentations, press releases or management commentary can bring a measure into scope.

- Inventory every performance measure used in earnings releases, investor presentations, websites and public management commentary.
- Assess each measure against the IFRS 18 definition and exclusions.
- Define the calculation consistently and identify the most directly comparable IFRS-defined subtotal.
- Prepare a reconciliation between the MPM and the comparable IFRS subtotal, including income tax and non-controlling-interest effects as required.
- Explain how the measure communicates management's view and how it is calculated.
- Establish governance for changes, discontinuation, naming and public release.

Governance implication MPMs should have an owner, approved definition, controlled calculation, reconciliation file and disclosure sign-off.

The practical challenge is often not accounting expertise but data lineage: the same 'adjusted' measure may be calculated differently across business units, investor materials and board packs. A single controlled definition is essential.

Aggregation and disaggregation

IFRS 18 strengthens principles for grouping information in the primary financial statements and notes. The objective is to avoid obscuring material information through excessive aggregation while also avoiding clutter from immaterial detail. The appropriate level of disaggregation depends on the characteristics of items, their functions, nature, materiality and the information users need.

Reporting risk	Potential symptom	Response
Over-aggregation	Material classes buried in 'other expenses'.	Set disaggregation thresholds and assess qualitative materiality.
Over-disaggregation	Financial statements become long and difficult to navigate.	Group items with shared characteristics and explain material classes.
Inconsistent labels	Similar items described differently across periods.	Maintain a controlled chart-of-accounts-to-disclosure taxonomy.
Note/primary statement mismatch	Primary statement captions do not connect clearly to note detail.	Build traceable cross-references and reconciliation controls.

The finance function should review both the face of the statements and the notes. A detailed note does not necessarily cure a misleading primary-statement caption, and a highly granular primary statement may not be the clearest way to communicate information.

Practical test Ask whether a knowledgeable reader can identify the nature, amount and drivers of material income and expenses without reconstructing the story from multiple disconnected notes.

Statement of cash flows and consequential changes

IFRS 18 includes limited consequential amendments to IAS 7 Statement of Cash Flows. The changes affect, among other matters, the starting point for the indirect method and certain classification choices for interest and dividend cash flows. Entities should not assume that a profit-or-loss presentation redesign is isolated from cash-flow reporting.

A controlled impact assessment should trace the revised requirements through the cash-flow statement, accounting policies, cash-flow mapping tables and reporting software. For groups with multiple ERP systems, a central policy may need to be translated into local mapping rules and consolidation adjustments.

- Identify whether the entity uses the direct or indirect method.
- Review the IAS 7 amendments relevant to the entity's chosen method and circumstances.
- Map interest and dividend cash flows to the revised requirements and policy choices.
- Check consistency between cash-flow categories, profit-or-loss classifications and note disclosures.
- Update cash-flow forecasting and covenant reporting templates where presentation changes affect management reporting.

The objective is consistency, not mechanical symmetry: cash-flow classification rules and profit-or-loss classification rules are related but are not identical. Each must be applied under its own requirements.

IFRS 19: a proportionate disclosure route

IFRS 19 permits an eligible subsidiary to apply IFRS Accounting Standards with reduced disclosure requirements. The subsidiary applies the recognition, measurement and presentation requirements in other IFRS Accounting Standards, but uses IFRS 19 instead of the disclosure requirements in those other Standards, subject to the Standard's own scope and conditions.

The eligibility test has two central limbs: the entity must not have public accountability, and its ultimate or intermediate parent must produce consolidated financial statements available for public use that comply with IFRS Accounting Standards. The entity must assess public accountability based on the Standard's criteria, including whether its debt or equity instruments are traded in a public market or it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses.

- IFRS 19 is voluntary: an eligible entity may elect to apply it.
- Eligibility must be reassessed when facts or group circumstances change.
- Reduced disclosure does not mean reduced recognition or measurement.
- Additional disclosures may still be necessary if the IFRS 19 package alone would not enable users to understand the effects of transactions and other events.
- Local law, regulator requirements, lender agreements and group reporting instructions may require information beyond IFRS 19.

Key distinction IFRS 19 is a disclosure framework for qualifying subsidiaries—not a separate measurement basis and not a blanket exemption from transparency.

IFRS 19 eligibility: decision tree

A subsidiary should document eligibility before selecting IFRS 19. The decision must be based on legal structure, instrument status, the nature of activities and the parent's published consolidated financial statements.

Step	Test	If yes	If no
1	Is the entity a subsidiary?	Proceed to public-accountability assessment.	IFRS 19 is not available on this basis.
2	Does it have public accountability?	Not eligible.	Proceed to parent reporting test.
3	Does its ultimate or intermediate parent prepare IFRS-compliant consolidated financial statements available for public use?	Eligible in principle; consider election and local constraints.	Not eligible.
4	Would IFRS 19 disclosures, supplemented as necessary, provide sufficient information?	Document election and disclosure basis.	Add disclosures or reconsider election.
5	Do local law, regulator or contractual requirements impose additional reporting?	Build additional reporting layer.	Proceed with IFRS 19 package subject to ongoing monitoring.

A subsidiary should not rely on the parent's status alone. It must separately assess whether it has public accountability. For example, an entity whose debt or equity is traded in a public market will generally fail the no-public-accountability limb. Entities that hold assets in a fiduciary capacity for a broad group of outsiders as a primary business may also fail.

Evidence file Retain group structure chart, parent financial statements, public availability evidence, listing searches, business activity assessment and management approval.

IFRS 19 disclosure design and group reporting

The practical value of IFRS 19 depends on the relationship between subsidiary statutory reporting and parent consolidation. A parent may need information that is not required in the subsidiary's IFRS 19 financial statements. Group reporting instructions, consolidation schedules and management information can therefore remain more extensive than the subsidiary's statutory disclosure package.

Layer	Purpose	Typical design question
Subsidiary statutory statements	Comply with IFRS 19 where elected and eligible.	Which IFRS 19 disclosures apply, and what supplemental disclosures are material?
Group reporting package	Provide data needed for consolidation and group disclosures.	What information must be collected centrally regardless of local statutory disclosure?
Consolidated financial statements	Meet full IFRS requirements at group level.	Can the parent obtain all information needed from subsidiary ledgers and schedules?
Regulatory / contractual reporting	Meet jurisdictional, lender or regulator obligations.	Do local rules require disclosures beyond IFRS 19?

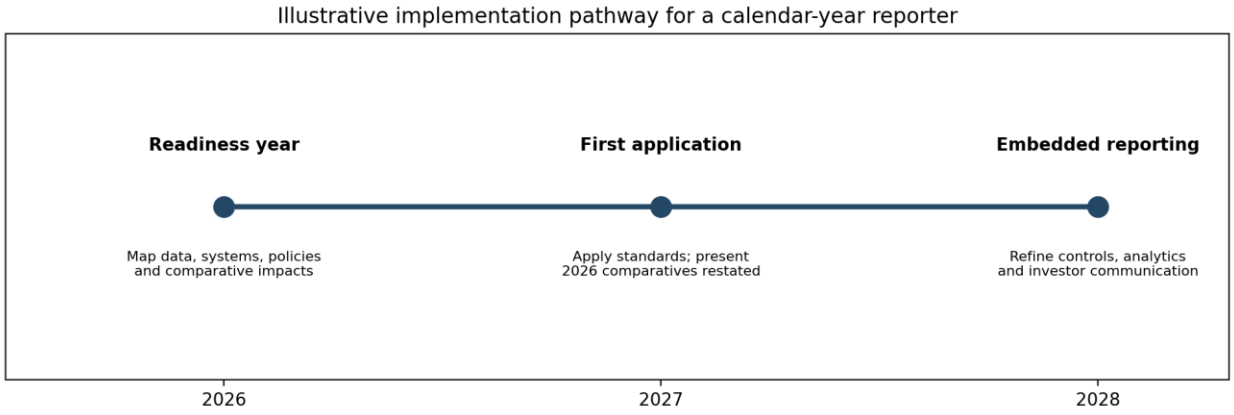
A group should distinguish between disclosure production and data collection. IFRS 19 may reduce the disclosures presented in an eligible subsidiary's own financial statements, but it does not automatically remove the parent's need to collect underlying information.

Where the group has many subsidiaries, a tiered reporting package can help: a core ledger data set, a group consolidation schedule and a statutory disclosure layer. Clear ownership avoids both over-collection and gaps in group reporting.

Transition and comparative information

IFRS 18 is applied retrospectively in accordance with IAS 8, subject to the transition provisions in the Standard. In the first annual financial statements applying IFRS 18, entities disclose a reconciliation for each line item in the statement of profit or loss between the restated comparative amounts under IFRS 18 and the amounts previously presented under IAS 1 for the immediately preceding comparative period.

For a calendar-year entity first applying IFRS 18 in 2027, the 2026 comparative period is therefore central. The 2026 ledger, reporting mappings and supporting schedules should be capable of being re-presented under IFRS 18. A late-start project risks reconstructing data after the close, increasing manual adjustments and weakening audit evidence.



- Identify the first reporting period and comparative period.
- Re-map comparative income and expenses to IFRS 18 categories.
- Reassess specified main business activities and document judgments.
- Identify new or changed subtotals and prepare reconciliation schedules.
- Assess the interim reporting implications in the first year of application.
- Retain source-to-output lineage for every material reclassification.

Timing insight The first IFRS 18 annual report is a 2027 deliverable, but the comparative architecture must be built from 2026 information.

Implementation operating model

A successful programme combines technical accounting, financial systems, data governance, internal controls, external audit engagement and investor relations. The CFO should sponsor the programme, while a cross-functional steering group resolves policy questions and monitors delivery.

Workstream	Accountable lead	Key deliverables
Technical accounting	Group controller / accounting policy	Position papers, category policy, MPM inventory, IFRS 19 eligibility.
Data and systems	Finance transformation / IT	Account mapping, data lineage, reporting templates and system changes.
Entity readiness	Local finance directors	Entity assessments, comparative data and statutory impact.
Controls and assurance	Internal controls / internal audit	Control matrix, review evidence, reconciliations and issue remediation.
Governance and communication	CFO / company secretary / investor relations	Board updates, audit committee papers, external communication.
External assurance	External auditor (independent role)	Early technical dialogue and audit evidence expectations.

The external auditor should not own management's accounting judgments or implementation decisions. Management remains responsible for the financial statements, accounting policies, controls and supporting evidence. Early dialogue can nevertheless identify areas where audit evidence or documentation will need strengthening.

Systems, data and control implications

IFRS 18 classification and MPM disclosures create a need for more structured data. A chart of accounts designed only for statutory line items may not capture the attributes needed to classify transactions consistently. The solution may involve new account dimensions, transaction tags, mapping tables, consolidation rules or controlled offline schedules.

- Build an inventory of ledger accounts and material transaction types.
- Map each account to an IFRS 18 category and relevant disclosure line.
- Flag items requiring entity-specific judgement or specified-main-business-activity analysis.
- Design data fields for nature, function, counterparty, asset/liability link and business activity where relevant.
- Automate recurring calculations and reconciliations where practical.
- Retain version control and approval evidence for mappings and MPM definitions.

Control	Risk addressed	Evidence
Monthly mapping review	Misclassification or stale mapping	Signed exception report and change log
MPM calculation control	Inconsistent or biased public metric	Reconciliation, formula lock and reviewer sign-off
Comparative conversion control	Incomplete retrospective re-presentation	Source-to-restated reconciliation
IFRS 19 eligibility review	Invalid use of reduced disclosures	Annual eligibility memo and legal-entity confirmation
Disclosure completeness review	Omitted material information	Checklist, disclosure committee minutes

Design principle Controls should operate at the point where data is created or transformed, not only during final financial-statement review.

Industry lens: where complexity concentrates

Sector / model	IFRS 18 focus	IFRS 19 focus
Industrial and consumer groups	Operating expense presentation, investing returns, MPMs such as adjusted operating profit.	Eligibility of non-listed operating subsidiaries; group data needs remain.
Banks and lenders	Specified main business activity of providing financing to customers; category outcomes require detailed analysis.	Many regulated financial entities may have public accountability and therefore be ineligible.
Real estate and investment groups	Returns on investment property, financing and operating activity classification; business model evidence.	Subsidiary eligibility must be tested entity by entity; property holding alone does not decide eligibility.
Technology and services	Development, restructuring and acquisition-related adjustments; public non-GAAP measures.	Potentially eligible private subsidiaries if both gateway conditions are met.
Insurance	Interaction with IFRS 17 and main business activity; presentation of insurance-related items.	Public accountability assessment is especially important for insurers and fiduciary activities.

The table is a diagnostic lens, not a sector conclusion. Classification and eligibility depend on the reporting entity's facts and the precise requirements. In particular, financial institutions and entities holding assets in a fiduciary capacity for outsiders may meet the public-accountability criterion.

For diversified groups, the analysis should be performed at the reporting-entity level. A group's principal activity does not automatically determine the classification conclusions for every subsidiary.

Investor, lender and governance implications

IFRS 18 is intended to improve the usefulness and comparability of financial performance information. Investors may gain clearer operating subtotals and better visibility into management-defined measures. However, comparability will not be automatic: business models, specified main business activities, policy judgments and MPM definitions still matter.

- Investors should distinguish IFRS-defined subtotals from management-defined performance measures.
- Analysts should inspect MPM reconciliations, definitions and consistency across periods.
- Lenders should assess whether covenant definitions refer to IFRS line items, contractual definitions or management measures.
- Audit committees should challenge significant classification judgments and the governance of alternative performance measures.
- Boards should ensure that external communication explains presentation changes without implying that a reclassification is an economic change.

The 2027 transition may create apparent movements in reported subtotals even where underlying economics are unchanged. Investor relations teams should prepare bridge explanations that separate changes in presentation from changes in business performance.

Communication rule Do not describe a presentation reclassification as an improvement or deterioration in operating performance unless the underlying economics support that conclusion.

Illustrative implementation roadmap

Phase	Indicative timing	Actions	Gate / output
Mobilise	Q4 2026	Sponsor, scope, entity inventory, governance and training.	Approved charter and entity population.
Assess	Q4 2026–Q1 2027	Technical gap analysis, IFRS 19 eligibility, MPM inventory, data review.	Signed impact assessment and policy decisions.
Design	Q1–Q2 2027	Target P&L, mappings, controls, templates and disclosure architecture.	Approved design and control matrix.
Build and test	Q2–Q3 2027	System changes, comparative conversion, dry runs and audit walkthroughs.	Tested reporting package and issue log.
Go live	Q4 2027 close	Close execution, reconciliations, disclosures and governance review.	First-year IFRS 18/19 reporting evidence.
Embed	2028	Post-implementation review, refine controls and analytics.	Lessons learned and steady-state ownership.

This roadmap is indicative and must be tailored to an entity's reporting calendar, complexity, system landscape and first application date. Entities already in late 2026 should prioritise decisions that affect comparative data and public performance measures.

The programme should use stage gates. Technical policy decisions should be signed off before systems configuration; data mappings should be tested before the close; and disclosure controls should be rehearsed through a mock reporting cycle.

Executive readiness diagnostic

The following diagnostic can be used by a CFO, audit committee or programme steering group to assess whether the organisation is moving from awareness to controlled implementation.

Readiness question	Green evidence	Red flag
Have we identified all IFRS reporting entities?	Complete entity and reporting-calendar inventory.	Scope based on head office assumptions only.
Have we assessed IFRS 19 eligibility?	Entity-level eligibility memos and annual review owner.	Eligibility assumed for all private subsidiaries.
Have we mapped P&L line items?	Approved category mapping with paragraph-level rationale.	Mappings based only on account names.
Have we inventoried MPMs?	Public communication scan and controlled MPM register.	Investor deck metrics not included.
Can we restate 2026 comparatives?	Tested source data and reconciliation.	Comparatives expected to be reconstructed manually.
Are systems and controls ready?	Tested data lineage, access, approvals and change controls.	Unowned spreadsheets and undocumented overrides.
Are users prepared?	Board, finance, IR and audit training completed.	External messaging not aligned with new presentation.

Board challenge Which three judgements could materially change the way users interpret our operating performance—and what evidence supports them?

A useful programme dashboard tracks status by entity, workstream, open technical issue, data readiness, control design, testing progress and accountable owner. Escalate unresolved classification and eligibility matters early rather than leaving them to the year-end close.

Conclusion, sources and research limitations

IFRS 18 and IFRS 19 should be understood as complementary but distinct reforms. IFRS 18 reshapes the architecture through which entities present and explain financial performance. IFRS 19 offers qualifying subsidiaries a proportionate disclosure route while retaining the wider IFRS recognition and measurement framework. The combined effect is a more deliberate relationship between group-level transparency, entity-level reporting and the information systems that support both.

For management, the priority is to convert the standards into controlled operating processes: documented classification judgments, governed MPMs, disciplined disaggregation, tested comparative information, entity-level eligibility decisions and a reliable group data pipeline. For boards and investors, the priority is to distinguish changes in presentation from changes in economic performance and to scrutinise the quality of reconciliations and explanations.

Hafsa Research and Analysis Company considers the 2027 reset an opportunity to strengthen the credibility, usability and governance of financial reporting—not merely to comply with a new format.

Selected authoritative sources

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Basis, assumptions and disclaimer

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