

Navigating the changes to International Financial Reporting Standards

A briefing for preparers of IFRS financial statements

2026 Edition



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‘The publication now covers
31 March 2025, 30 June
2025, 30 September 2025,
31 December 2025 and
31 March 2026 financial
year ends.’



Introduction

This publication is designed to give preparers and reviewers of IFRS financial statements a high-level awareness of recent changes to International Financial Reporting Standards. It covers both new Standards and Interpretations that have been issued and amendments made to existing ones.

What's new in the 2026 edition

The 2026 edition of this publication has been updated for changes to International Financial Reporting Standards (IFRS Accounting Standards) that have been published between 1 January 2025 and 31 December 2025.

The publication will help you complete annual financial statements for 31 March 2025, 30 June 2025, 30 September 2025, 31 December 2025 and 31 March 2026 year ends.

Contents

The effective dates table on the next page lists all the changes covered in the publication and their effective dates.

How to use the publication

Identifying the changes that will affect you

The effective dates table has been colour coded to help entities planning for a specific financial reporting year end, and identifies:

- changes mandatorily effective for the first time
- changes not yet effective
- changes already in effect.

Where a change is not yet mandatorily effective for a particular year end, it may still be possible for an entity to adopt it early (depending on local legislation and the ability to be able to fully comply with all the requirements).

Where a change has been made but an entity is yet to apply it, certain disclosures are required to be made under IAS 8 'Basis of Preparation of Financial Statements'. Disclosures required include the fact that the new or amended Standard or Interpretation has been issued but it has not yet been applied, and known or reasonably estimable information relevant to assessing its possible impact on the financial statements in the period of initial application.

Identifying the commercial significance of the changes in the publication

For each change covered in the publication, we have included a box on its commercial implications. These sections focus on two questions:

- how many entities will be affected?
- what will be the impact on affected entities?

A traffic light system indicates our assessment of the answers to these questions.

Other Grant Thornton International Ltd publications

Where appropriate, references have been made to other Grant Thornton International Ltd publications that provide more detailed information on the changes discussed in this publication. A list of other publications is provided on pages 42 to 45 and, should you require further assistance, please get in touch with the IFRS contact in your local Grant Thornton office.

Grant Thornton International Ltd

January 2026

Effective dates of new Standards

Based on IFRS Accounting Standards issued at 31 December 2025

Standard	Title of Standard or Interpretation	Effective for reporting periods beginning on or after	Early Application?	31 Mar 2025 year end	30 Jun 2025 year end	30 Sep 2025 year end	31 Dec 2025 year end	31 Mar 2026 year end
IAS 1	Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1 January 2024	✓	Effective for the first time	Effective for the first time	Effective for the first time	Already in mandatory effect	Already in mandatory effect
IAS 1	Non-current Liabilities with Covenants (Amendments to IAS 1)	1 January 2024	✓					
IFRS 16	Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	1 January 2024	✓					
IAS 7 and IFRS 7	Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)	1 January 2024	✓					
IAS 21	Lack of Exchangeability (Amendments to IAS 21)	1 January 2025	✓					
IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)	1 January 2026	✓					
Various Standards	Annual Improvements to IFRS Accounting Standards – Volume 11	1 January 2026	✓					
IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7)	1 January 2026	✓	Not yet effective	Not yet effective	Not yet effective	Not yet effective	Not yet effective
IFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027	✓					
IFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027	✓					
IFRS 19	Amendments to IFRS 19 'Subsidiaries without Public Accountability: Disclosures'	1 January 2027	✓					
IFRS 19	IFRS for SMEs – third edition	1 January 2027	✓					
IAS 21	Translation to a Hyperinflationary Presentation Currency (Amendments to IAS 21)	1 January 2027	✓					
	Revised IFRS Practice Statement Management Commentary	No effective date as non-mandatory guidance	N/a				N/a	
IAS 36, IFRS 18, IAS 1, IAS 37, IAS 8 and IFRS 7	Disclosures about Uncertainties in the Financial Statements – Illustrative Examples	No effective date as accompanying existing IFRS Accounting Standards	N/a				N/a	

The colour coding gives an indication of when the changes covered in the publication become effective in relation to the specific financial reporting year ends set out in the table.

Key: ■ Change already in mandatory effect ■ Change effective for the first time ■ Change not yet effective

Effective from 1 January 2024

The Amendments discussed on pages 6 to 9 are effective for reporting periods beginning on or after 1 January 2024.

It may be possible to apply these changes early depending on local legislation and the requirements of the particular change in concern. The Amendments are:

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Non-current Liabilities with Covenants (Amendments to IAS 1)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

In January 2020, the International Accounting Standards Board (IASB) published 'Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)' which clarify the Standard's guidance on whether a liability should be classified as either current or non-current.

IAS 1 'Presentation of Financial Statements' requires an entity that has an unconditional right to delay settlement of a liability for at least 12 months from the end of the reporting period, then it can be classified as non-current, if not it is classified as current. Some preparers have found this statement confusing and, consequently, similar liabilities have been classified differently, making comparisons by investors difficult.

The IASB therefore issued amendments to IAS 1 to clarify its previously issued guidance and rectify the above issue.

The amendments

The amendments elaborate on guidance set out in IAS 1 by:

- clarifying that the classification of a liability as either current or non-current is based on the entity's rights at the end of the reporting period
- stating that management's expectations around whether they will defer settlement or not does not impact the classification of the liability
- adding guidance about lending conditions and how these can impact classification
- including requirements for liabilities that can be settled using an entity's own instruments.

Effective date and transition

The amendments were initially effective from accounting periods beginning on or after 1 January 2022. However, the IASB decided to give entities more time to implement any classification changes that may result from the above amendments. As such, in October 2022, the IASB changed the effective date of the amendments and they are now effective from 1 January 2024.

The amendments should be applied retrospectively, with entities being allowed to apply them to an earlier period as long as they disclose that they have done so.

Commercial significance



Number of entities affected

The amendments affect entities with borrowing arrangements so the impact could be widespread.



Impact on affected entities

These amendments could have a significant impact on an entity's presentation of their borrowings which in turn could impact important financial ratios.

Non-current Liabilities with Covenants (Amendments to IAS 1)

In November 2022, the IASB issued some amendments to IAS 1 that aim to improve disclosures about long-term debt with covenants.

IAS 1 requires an entity to classify debt as current if it is unable to avoid settling the debt within 12 months after the reporting date. However, the entity may need to comply with covenants during that same period, which may question whether the debt should be classified as non-current. For example, a long-term debt may become current if the entity fails to comply with the covenants during the 12-month period after the reporting date.

The amendments

The amendments set out in ‘Non-current Liabilities with Covenants (Amendments to IAS 1)’ state that at the reporting date, the entity does not consider covenants that will need to be complied with in the future when considering the classification of the debt as current or non-current. Instead, the entity should disclose information about these covenants in the notes to the financial statements.

The IASB wants these amendments to enable investors to understand the risk that such debt could become repayable early and therefore improving the information being provided on the long-term debt.

The amendments are applicable for reporting periods beginning on or after 1 January 2024, with early application permitted. If the amendments are applied in an earlier period, this should be disclosed. The effective date coincides with that of the amendments to IAS 1 previously issued in 2020 ‘Classification of Liabilities as Current or Non-current’. Refer to page 6 for details of these amendments.

Commercial significance



Number of entities affected

The amendments affect entities with borrowing arrangements so the impact could be widespread.



Impact on affected entities

These amendments could have a significant impact on an entity’s presentation of their borrowings which in turn could impact important financial ratios.

‘IAS 1 requires entities to classify debt as current if the entity is unable to avoid settling the debt within 12 months after the reporting date.’

Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)

In September 2022, the IASB issued amendments to IFRS 16 'Leases', adding requirements for accounting for a sale and leaseback after the date of the transaction.

The amendments

The IASB has now issued additional guidance in IFRS 16 on accounting for sale and leaseback transactions. Previously IFRS 16 only included guidance on how to account for sale and leaseback transactions at the date of the transaction itself. However, the Standard did not specify any subsequent accounting when reporting on the sale and lease back transaction after that date.

As a result, without further requirements, when the payments include variable lease payments there is a risk that a modification or change in the leaseback term could result in the seller-lessee recognising a gain on the right of use they retained even though no transaction or event would have occurred to give rise to that gain.

Consequently, the IASB decided to include subsequent measurement requirements for sale and leaseback transactions to IFRS 16.

The amendments are applicable for reporting periods beginning on or after 1 January 2024, with early application permitted. If the amendments are applied in an earlier period, this should be disclosed.

Commercial significance



Number of entities affected

The amendments affect entities accounting for a sale and leaseback transaction.



Impact on affected entities

These amendments would only impact the subsequent accounting for a sale and leaseback transaction. While these amounts could be material, in most cases it is unlikely to have a significant impact.

'In September 2022, the IASB issued amendments to IFRS 16, adding requirements for accounting for a sale and leaseback after the date of the transaction.'

Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)

In May 2023, the IASB amended IAS 7 'Statement of Cash Flows' and IFRS 7 'Financial Instruments: Disclosures' through the increase of disclosure requirements to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments

The amendments require additional disclosures that complement the existing disclosures in these two Standards. They require entities to disclose:

- the terms and conditions of the arrangement
- the amount of the liabilities that are part of the arrangements, breaking out the amounts for which the suppliers have already received payment from the finance providers, and stating where the liabilities are included on the statement of financial position
- ranges of payment due dates
- liquidity risk information.

These additional disclosure requirements address investors wanting more visibility around supplier finance arrangements, which in some jurisdictions around the world are better known as reverse factoring arrangements.

Effective date and transition

The amendments to IAS 7 and IFRS 7 are effective for reporting periods commencing on or after 1 January 2024.

Commercial significance



Number of entities affected

The amendments apply to all entities that engage in supplier financing arrangements.



Impact on affected entities

The amendments will require new disclosures to be prepared with more detailed information provided on their supplier finance arrangements. Depending on the complexity or volume of such arrangements this may result in significantly more disclosures.

'In May 2023, the IASB amended IAS 7 'Statement of Cash Flows' and IFRS 7 'Financial Instruments: Disclosures' through the increase of disclosure requirements to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk.'

Effective from 1 January 2025

The Amendment discussed on page 11 is effective for reporting periods beginning on or after 1 January 2025.

It may be possible to apply these changes early depending on local legislation and the requirements of the particular change in concern. The Amendment is:

- Lack of Exchangeability (Amendment to IAS 21)

Lack of Exchangeability (Amendments to IAS 21)

In August 2023, the IASB amended IAS 21 'The Effects of Changes in Foreign Exchange Rates' to clarify the approach that should be taken by preparers of financial statements when they are reporting foreign currency transactions, translating foreign operations or presenting financial statements in a different currency, and there is a long-term lack of exchangeability between the relevant currencies.

The amendments

The amendments include both updates to guidance to assist preparers in correctly accounting for foreign currency items and increases the level of disclosure required to help users understand the impact of a lack of exchangeability on the financial statements. The amendments:

- introduce a definition of whether a currency is exchangeable, and the process by which an entity should assess this exchangeability. This includes application guidance included in a new Appendix A
- provide guidance on how an entity should estimate a spot exchange rate in cases where a currency is not exchangeable
- require additional disclosures in cases where an entity has estimated a spot exchange rate due to a lack of exchangeability, including the nature and financial impact of the lack of exchangeability, and details of the spot exchange rate used and the estimation process.

The additional disclosure requirements provide useful information about the additional level of estimation uncertainty, and risks arising for the entity due to the lack of exchangeability.

Effective date and transition

The amendments to IAS 21 are effective for reporting periods on or after 1 January 2025, with earlier application permitted.

Commercial significance



Number of entities affected

These amendments only affect entities that are required to report foreign currency transactions where there is a long-term lack of exchangeability between currencies.



Impact on affected entities

Affected entities may be required to adjust the carrying value of any monetary items that have been translated from a foreign currency which is not exchangeable, and will be required to provide additional disclosures on how the new spot rate has been determined.

'In August 2023, the IASB amended IAS 21 'The Effects of Changes in Foreign Exchange Rates' to clarify the approach that should be taken by preparers of financial statements.'



Effective from 1 January 2026

The Amendments discussed on pages 14 to 19 are effective for reporting periods beginning on or after 1 January 2026.

It may be possible to apply these changes early depending on local legislation and the requirements of the particular change in concern. The Amendments are:

- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)
- Annual Improvements to IFRS Accounting Standards – Volume 11
- Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7)

Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)

In May 2024, the IASB amended IFRS 9 'Financial Instruments' and IFRS 7, following a post-implementation review (PIR) of IFRS 9.

The IASB's PIR of the classification and measurement requirements in IFRS 9 and the related requirements in IFRS 7 concluded that overall, the requirements set out in these two Standards can be applied consistently and they also provide useful information to users of the financial statements. However, the PIR process did reveal some areas that could be improved and they included:

- accounting for the settlement of a financial asset or liability using an electronic payment system, and
- applying the requirements for assessing contractual cash flow characteristics to financial assets with features related to environmental, social, and governance (ESG) matters.

To address these matters and to improve clarity and understanding, the IASB issued amendments to the classification and measurement of financial instruments to promote consistency.

The amendments

Derecognition of financial instruments when an electronic payment system is used

New guidance has been added to IFRS 9 to specifically address when a financial liability should be derecognised when it is settled by electronic payment. Previously, an entity was required to wait until the settlement date of the transaction to discharge the liability, but the new guidance allows for the liability to be discharged before the settlement date if:

- the payment cannot be withdrawn, stopped or cancelled
- the entity no longer has the practical ability to access the cash, and
- settlement risk associated with the electronic payment system is insignificant.

Classification of financial assets

Contractual cash flows that are solely payments of principal and interest on the principal amount outstanding

IFRS 9 has always required an entity to consider the characteristics of its contractual cash flows to appropriately classify a financial asset. The amendments provide some additional guidance to help an entity assess whether the contractual cash flows of a financial asset are consistent with a basic lending arrangement. Given the importance of this determination, new guidance has been provided, including examples of contractual cash flows that are solely payments of principal and interest on the principal outstanding, to ascertain whether or not the arrangements would be consistent with a basic lending arrangement.

IFRS 9 also describes certain situations where financial assets may have contractual cash flows that are described as principal and interest, but the payments made do not actually represent a basic lending arrangement. This may be the case if a financial asset has non-recourse features. The amendments to IFRS 9 provide a clearer definition of a non-recourse feature, which is now outlined as a financial asset where the entity's ultimate right to receive cash flows is contractually limited to the cash flows generated by specified assets.

Contractually linked instruments

IFRS 9 has also been updated to provide additional guidance to clarify the characteristics of contractually linked instruments as well as the definition of the underlying pool used to assess whether a transaction contains contractually linked instruments. The amendments also specify that transactions that contain multiple debt instruments are not automatically contracts with multiple contractually linked instruments, and so they must be carefully assessed before a final determination is made.

Amendments made to the disclosures of financial instruments
Investments in equity instruments designated at fair value through other comprehensive income

The amendments to IFRS 7 add new required disclosures for any investments in equity instruments designated at fair value through other comprehensive income. These include disclosures of the fair value gain or loss presented in other comprehensive income for the period, showing separately the fair value gain or loss related to investments derecognised or held, as well as the transfer of cumulative gain or loss within equity related to derecognised investments.

Contractual terms that could change the amount of contractual cash flow based on contingent events

IFRS 7 has been amended to require additional new disclosures for each class of financial asset measured at amortised cost or fair value through other comprehensive income, as well as financial liabilities measured at amortised cost. When there are contractual terms that could change the contractual cash flows based on the outcome of a contingent event not directly related to basic lending risk, an entity must now disclose certain information surrounding the related contingent event as well as possible changes to cash flows and the gross carrying value and amortised cost of the related financial asset or liability. These new disclosures are also now reflected in IFRS 19 'Subsidiaries without Public Accountability: Disclosures'.

Effective date and transition

The amendments are effective from annual reporting periods beginning on or after 1 January 2026. Early adoption of these Standards are permitted, with a choice to either apply all amendments at the same time and disclose that fact or to apply only the amendments to the Application Guidance sections for the earlier period and disclose that fact.

An entity is required to apply these amendments retrospectively. However, an entity is not required to restate prior periods to reflect the application of the amendments unless it can clearly demonstrate that hindsight has not been used to make those changes.

Commercial significance



Number of entities affected

Specific elements of the amendments may not be relevant to all entities, however given the range of issues being addressed, many entities will need to consider the updated guidance on these matters.



Impact on affected entities

The amendments to IFRS 9 largely provide clarification of existing requirements, rather than new requirements. Given this, the impacts are likely to be lower except in situations where existing treatment by preparers is now more clearly incorrect. The amendments to IFRS 7 will require additional disclosures which preparers should be aware of.

Annual Improvements to IFRS Accounting Standards – Volume 11

In July 2024, the IASB published 'Annual Improvements to IFRS Accounting Standards – Volume 11'. The publication is a collection of amendments to IFRS Accounting Standards discussed by the IASB during the current project cycle for annual improvements. The IASB uses the Annual Improvements

process to make necessary, but non-urgent, amendments to IFRS Accounting Standards that will not be included as part of any other project.

A summary of the issues addressed is set out below:

Annual Improvements to IFRS Accounting Standards

Standard affected	Subject	Summary of the changes
IFRS 1 'First-time Adoption of International Financial Reporting Standards'	Hedge accounting by a first-time adopter	Amends paragraphs B5–B6 of IFRS 1: <ul style="list-style-type: none">to improve consistency with the requirements in IFRS 9, andto add cross-references to improve the understandability of IFRS 1.
IFRS 7 'Financial Instruments: Disclosures'	Gain or loss on derecognition	Amends paragraph B38 of IFRS 7: <ul style="list-style-type: none">to replace an obsolete reference to paragraph 27A of IFRS 7 with a reference to paragraphs 72–73 of IFRS 13 'Fair Value Measurement', andto replace the phrase 'inputs that were not based on observable market data' with 'unobservable inputs' to make the wording consistent with the wording in paragraph 72 of IFRS 13.
Guidance on implementing IFRS 7 'Financial Instruments: Disclosures'	Disclosure of deferred difference between fair value and transaction price	Amends paragraph IG14 to make its wording consistent with the requirements in paragraph 28 of IFRS 7 and with the wording and concepts in IFRS 9 and IFRS 13.
	Introduction and credit risk disclosures	Improves previously issued guidance by: <ul style="list-style-type: none">amending paragraph IG1 to clarify that the guidance does not necessarily illustrate all the requirements in the referenced paragraphs of IFRS 7, andamending paragraph IG20B to simplify the explanation of the aspects of the requirements that are not illustrated.

'The IASB uses the Annual Improvements process to make necessary, but non-urgent, amendments to IFRS Accounting Standards that will not be included as part of any other project.'

Annual Improvements to IFRS Accounting Standards

Standard affected	Subject	Summary of the changes
IFRS 9 'Financial Instruments'	Derecognition of lease liabilities	Amends paragraph 2.1(b)(ii) of IFRS 9 to add a cross-reference to paragraph 3.3.3 of IFRS 9 to clarify that when a lease liability has been extinguished in accordance with IFRS 9, the lessee is required to apply paragraph 3.3.3 and recognise any resulting gain or loss in profit or loss.
	Transaction price	Amends paragraph 5.1.3 of IFRS 9 to replace 'their transaction price (as defined in IFRS 15)' with 'the amount determined by applying IFRS 15' due to an inconsistency between 5.1.3 and the requirements in IFRS 15 'Revenue from Contracts with Customers'. As a result, IFRS 9 Appendix A was also amended to remove the term.
IFRS 10 'Consolidated Financial Statements'	Determination of a 'de facto agent'	Amends paragraph B74 of IFRS 10 to use less conclusive language and to clarify that the relationship described in paragraph B74 is just one example of a circumstance in which judgement is required to determine whether a party is acting as a de facto agent.
IAS 7 'Statement of Cash Flows'	Cost method	Amends paragraph 37 of IAS 7 to replace the term 'cost method' with 'at cost'.

Effective date

The amendments are effective from annual reporting periods beginning on or after 1 January 2026, with early application permitted.

Commercial significance



Number of entities affected

The amendments make changes to relatively narrow areas within IFRS Accounting Standards where diversity of practice previously existed.



Impact on affected entities

The amendments address necessary, but non-urgent, minor updates. Therefore, by their nature the commercial significance can be expected to be low.

Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7)

In December 2024 the IASB issued amendments to IFRS 9 and IFRS 7 to address issues with accounting for contracts associated that involve renewable energy. The amendments are also reflected in IFRS 19.

Contracts that reference nature-dependent electricity production, also known as power purchase agreements (PPAs), are contracts to buy and take delivery of electricity that is produced from nature-dependent sources. As generation of renewable energy has increased, so has the number of PPAs.

The IFRS Interpretations Committee (IFRIC) received requests for clarification on how IFRS 9 should be applied to these contracts, and following stakeholder feedback the IASB decided to add a narrow-scope standard-setting project to its work plan to address these issues.

The amendments

The changes made to IFRS 9

The amendments made to IFRS 9 include detail on which PPA contracts can be used in hedge accounting, and the specific conditions allowed in such hedge relationships.

The amendments specifically target the use of PPAs as designated hedging instruments in qualifying hedge relationships. The amendments specify that for such a hedging relationship, the hedged item may be designated as a variable nominal amount of forecast electricity transactions, which is aligned with the variable amount of electricity that is expected to be delivered under a PPA designated as the hedging instrument.

In the application guidance, the amendments set out that some PPA contracts will expose entities to volume risk, the risk that they may have to buy electricity during a window in which they cannot use the electricity, or sell electricity that they cannot use within a specified period of time. The amendments clarify that these features are not necessarily inconsistent with a contract held in accordance with the entity's expected usage requirements. The entity needs to determine in these situations whether or not they are still a net purchaser of electricity, and in making this determination they need to consider all reasonable and supportable information about past, present and future electricity transactions.

All of the existing hedge accounting requirements included in IFRS 9 still apply.

‘Contracts that reference nature-dependent electricity production, also known as power purchase agreements (PPAs), are contracts to buy and take delivery of electricity that is produced from nature-dependent sources.’

The changes made to IFRS 7

The amendments made to IFRS 7 introduce some new disclosure requirements for contracts referencing nature-dependent electricity as defined in the amendments to IFRS 9.

For such contracts, an entity is now required to disclose the following:

- Information about contractual features that expose the entity to variability in the underlying amount of electricity, and the risk that the entity may be required to purchase electricity when they are unable to use it
- Information about unrecognised commitments from such contracts at the reporting date including estimated future cash flows and a qualitative assessment of whether a contract may become onerous, and
- Qualitative and quantitative information about the effects of these contracts on the entity's financial performance for the reporting period. This includes information on the costs of purchasing electricity under the contract and how much was unused, the proceeds from the sale of unused electricity and the cost of any purchases of electricity made to offset sales of unused electricity.

IFRS 19 is also amended to include these same requirements. There will be no relief for entities applying IFRS 19 that are parties to these types of contracts.

Effective date and transition

The amendments are effective for periods starting on or after 1 January 2026, with early application permitted. The amendments to IFRS 7 must be applied at the same time as the amendments to IFRS 9.

The requirements related to identifying in-scope PPAs must be applied retrospectively in accordance with IAS 8 using facts and circumstances at the date of initial application of the amendments. The amendments related to designated hedging relationships should be applied prospectively to new hedging relationships designated on or after the date of initial application.

Commercial significance



Number of entities affected

The scope of these amendments is narrow and will primarily be relevant for larger entities with well-developed finance and risk teams who are already familiar with the hedge accounting requirements of IFRS 9.



Impact on affected entities

The amendments will provide additional guidance on how entities can use PPAs in hedge accounting. This will have some impact but is unlikely to significantly change entities' current risk management and accounting strategies.

Effective from 1 January 2027

The Standards and Amendments discussed on pages 21 to 33 are effective for reporting periods beginning on or after 1 January 2027.

It may be possible to apply these new Standards and Amendments early depending on local legislations and the requirements of the particular Standard or Amendment in concern. The Standards and Amendments are:

- IFRS 18 ‘Presentation and Disclosure in Financial Statements’
- FRS 19 ‘Subsidiaries without Public Accountability: Disclosures’
 - Including Amendments to IFRS 19
- IFRS for SMEs – third edition
- Translation to a Hyperinflationary Presentation Currency (Amendments to IAS 21)

IFRS 18 ‘Presentation and Disclosures in Financial Statements’

In April 2024, the IASB published its first new standard since 2017. The new standard, IFRS 18 ‘Presentation and Disclosure in Financial Statements’ replaces IAS 1 and will impact every reporting entity that currently uses IFRS Accounting Standards.

The release of the Standard is the final stage of the Primary Financial Statements project, which came about due to the lack of detailed requirements in IAS 1 for the following areas:

- the classification of income and expenses in the statement of profit or loss
- the presentation of subtotals in the statement of profit or loss, and
- the aggregation and disaggregation of information presented in the primary financial statements or disclosed in the notes.

This led to diversity in practice as entities defined their own subtotals and performance measures, which made comparison of financial performance between entities difficult for investors.

Scope

IFRS 18 will need to be applied by every entity that prepared financial statements in accordance with IFRS Accounting Standards.

The key changes in the new Standard

Overall, the majority of changes made in IFRS 18 impact the statement of profit or loss and notes to the financial statements, but there are also limited changes to specific requirements that are set out in IAS 7. Only minimal changes were made to the disclosures required for the statement presenting comprehensive income, the statement of changes in equity and the statement of financial position. While much has been carried forward from IAS 1, there are some key changes that reporting entities need to be aware of.

Changes to presentation requirements in the statement of profit or loss

The main change introduced by IFRS 18 is to the way in which reporting entities will structure their statement of profit or loss. Firstly, the Standard introduces two new defined subtotals:

- Operating profit, and
- Profit before financing and income taxes.

These new required subtotals are intended to increase comparability by ensuring that information presented for investors is consistent across different entities. Additionally, the Standard requires an entity to classify all income and expenses into one of the following five categories:

- Operating
- Investing
- Financing
- Income taxes, and
- Discontinued operations.

‘IFRS 18 will need to be applied by every entity that prepared financial statements in accordance with IFRS Accounting Standards.’

The investing category includes income and expenses from investments in associates, joint ventures and unconsolidated subsidiaries, cash and cash equivalents, and any other assets (such as cash and cash equivalents) that generate returns separately from the entity's other resources.

The financing category distinguishes between transactions that are solely for the purpose of raising finance, and those that are not. Income and expenses from all liabilities that result solely from the raising of finance are included in this category, along with some elements of interest income or expense recognised by applying other IFRS Accounting Standards. This category, together with the subtotal for profit before financing and income taxes enables investors to assess the reporting entity's performance before the effects of its financing arrangements.

The income taxes and discontinued operations categories include income and expenses resulting from the application of IAS 12 'Income Taxes' and any related foreign exchange differences, and IFRS 5 'Non-current assets held for sale and discontinued operations' respectively.

Finally, the operating category includes all other items of income and expense that are not allocated to one of the other four categories. It is a default category, so it is important to note this category will include income and expenses from an entity's main business activities, regardless of whether the income or expenses are volatile or unusual. The operating profit subtotal provides not only a measure of past performance, but also a starting point for forecasting an entity's future cash flows.

Foreign exchange differences

IFRS 18 requires foreign exchange differences to be classified in the same category of the statement of profit or loss as the income and expenses from items that gave rise to the foreign exchange differences. This means, for example, that foreign exchange differences on bank loans would be classified in the financing category. However, if classifying foreign exchange differences this way would involve undue cost or effort, an entity is permitted to classify them in the operating category. Careful attention should be given to the specific requirements included in this Standard for classifying income and expenses from hybrid contracts and fair value gains and losses on derivatives.

Entities with specified main business activities

When a reporting entity has assessed it invests in assets as its main business activity, income and expenses are split between the investing category and operating category, depending on how the underlying assets are accounted for. For all assets accounted for using the equity method, income and expenses are included in the investing category, and for all other assets income and expenses are included in the operating category.

When a reporting entity has assessed it provides financing to customers as its main business activity, it must now classify income and expenses from liabilities relating to providing such finance in the operating category.

For reporting entities such as investment firms, financial institutions and insurers, many of their main business activities will fall into the investing or financing categories. Items of income and expenses for these activities will therefore need to be included in the operating category, and the assessment of which components should be included in each category may be challenging. Careful consideration of the requirements set out in the Standard is recommended.

The assessment of an entity's main business activities is therefore going to be a key judgement which may significantly impact the geography of where items appear in the statement of profit or loss. This is likely to prove particularly challenging for mixed groups and groups of reporting entities which provide multiple services.

New requirements to be included in the notes to the financial statements

The Standard also introduces new disclosures, in addition to those carried forward from IAS 1, to supplement the primary financial statements. They are:

- Management-defined performance measures, and
- Specified expenses by nature.

Management-defined performance measures

In order to address the significant diversity in practice currently seen when it comes to so-called 'alternative performance measures' and any non-GAAP performance measures, IFRS 18 introduces the concept of a 'management-defined performance measure' (MPM).

MPMs are subtotals of income and expenses other than those listed by IFRS 18 or specifically required by another IFRS, that an entity uses:

- in public communications outside financial statements, and/or
- to communicate to users of financial statements management's view of an aspect of the financial performance of the entity as a whole.

Alongside any MPMs that are disclosed, a reporting entity will also be required to disclose information including:

- a reconciliation between the MPM and the most directly comparable IFRS 18 subtotal, total or subtotal required by another IFRS
- a description of how the MPM communicates management's view and how it is calculated
- an explanation of changes to the MPMs disclosed or to how any of the measures are calculated, and
- a statement indicating that measures used reflect management's view of the financial performance of the entity as a whole and indicates that the measure may not always be directly comparable to any measures sharing similar labels and descriptions provided by other reporting entities.

These disclosures will be required for any measure that meets the definition of a MPM and when applicable and they must be included in a single note in the reporting entity's financial statements. An important point to note is MPMs that are disclosed within a set of financial statements will be subject to audit in the same way as the disclosure of any earnings per share amount is.

'IFRS 18 introduces the concept of a 'management-defined performance measure' (MPM)'

Updated guidance for the aggregation and disaggregation of information

The Standard provides specific guidance to ensure that aggregation and disaggregation in the financial statements is consistent and provides investors with the information they need for analysis. The basic principles set out in IFRS 18 require entities to:

- aggregate or disaggregate items based on whether they share similar characteristics or have different characteristics
- ensure that the method of grouping items does not obscure material information or reduce understanding, and
- apply aggregation or disaggregation based on characteristics in both the primary financial statements and the notes to the financial statements.

Changes to how expenses in the operating category are presented

Consistent with IAS 1, IFRS 18 requires an entity to present in a structured and meaningful way its operating expenses based either on their nature or their function. This means some entities might decide to classify some expenses by nature and other expenses by function. The Standard requires entities that present expenses classified by function to also disclose the amount of depreciation, amortisation, employee benefits, impairment losses and write-down of inventories included in each line in the operating category of the statement of profit or loss.

Consequential changes made to other standards

Consequential changes have been made to IAS 7 and this Standard now requires entities to use the operating profit total as defined in IFRS 18 as the starting point for reporting cash flows from operating activities when using the indirect method. In addition, the interest and dividend presentation alternatives that previously existed have also been removed to simplify practice and reduce diversity in preparation.

Elsewhere, IAS 33 'Earnings per Share' (EPS) requirements have been amended to permit an entity to disclose additional EPS information over and above reporting basic and diluted EPS amounts. However, additional amounts can only be included in the EPS calculation if the numerator is either a total or subtotal identified in IFRS 18 or an MPM. IAS 34 'Interim Financial Reporting' has also been updated to require disclosure of information about MPMs in interim financial statements and guidance is now provided on how subtotals should be dealt with in interim financial statements.

IAS 8 has been retitled to IAS 8 'Basis of Preparation of Financial Statements', as the following requirements were removed from IAS 1 and inserted, unamended, into IAS 8, as opposed to being included in IFRS 18:

- fair presentation and compliance with IFRS Accounting Standards
- going concern
- accrual basis of accounting
- disclosure of selection and application of accounting policies
- disclosure of sources of estimation uncertainty.

Effective date of IFRS 18

The Standard is effective from annual reporting periods beginning on or after 1 January 2027, allowing reporting entities and their auditors time to properly prepare for the transition to IFRS 18. Early adoption of the Standard is permitted. It is important to note, IFRS 18 must be applied retrospectively, so restatement of all comparative information is required when the Standard is adopted.



For more information on the Standard, please refer to our publication 'Get ready for IFRS 18'. This publication provides a high-level overview of all of the new requirements of IFRS 18, along with some practical insights into the potential challenges that entities will face when applying this new Standard. To obtain your copy, please get in touch with the

IFRS contact in your local Grant Thornton office or go to <https://www.grantthornton.global/en/insights/articles/get-ready-for-ifrs-18/>

Commercial significance

Many

Number of entities affected

Every entity that prepares financial statements in accordance with IFRS Accounting Standards will need to understand and apply IFRS 18.

High

Impact on affected entities

Although on the surface some of these new requirements may seem straightforward, there may be some significant challenges to change existing record keeping and accounting systems and processes, as well as changes to the presentation of the financial statements. Entities should therefore not underestimate the challenges of adopting this Standard, and begin their transition journey sooner rather than later given the need to provide comparatives prepared on the same basis as those being presented in any reporting period commencing on or after 1 January 2027.

'The Standard is effective from annual reporting periods beginning on or after 1 January 2027, allowing reporting entities and their auditors time to properly prepare for the transition to IFRS 18.'

IFRS 19 ‘Subsidiaries without Public Accountability: Disclosures’

In May 2024, the IASB released IFRS 19 to create a new Standard of reduced disclosures that certain in-scope entities can elect to apply instead of the disclosure requirements set out in other IFRS Accounting Standards. IFRS 19 will work alongside other standards, with eligible subsidiaries applying the measurement, recognition and presentation requirements set out in other IFRS Accounting Standards and the revised disclosures outlined in IFRS 19.

The release of this Standard is the final stage of the ‘Disclosure Initiative – Targeted Standards-level Review of Disclosures’ project, which came about due to subsidiaries struggling to meet the requirements for reporting information to their parent entity to be used in consolidated financial statements. When reporting to a parent that applies full IFRS Accounting Standards, subsidiaries must apply the recognition and measurement requirements in IFRS Accounting Standards. This creates difficult circumstances for entities that qualify to apply IFRS for Small and Medium-Sized Entities (SMEs) for their standalone reporting. IFRS for SMEs has fewer disclosure requirements than full application of IFRS; however, the recognition and measurement requirements differ to those of full IFRS Accounting Standards. As a result, some subsidiaries choose not to take advantage of the reduced disclosures for IFRS for SMEs as it results in additional accounting to align information reported to the parent entity with full IFRS recognition and measurement principles.

This new Standard aims to create a more attractive option for subsidiaries without public accountability. Eligible entities will now be able to elect to apply IFRS 19, which has the same recognition, measurement, and presentation principles as full IFRS Accounting Standards, but allows for specific reduced disclosures in most topic areas.

Scope

In order to apply IFRS 19, an entity must meet all of the following criteria at the end of its reporting period:

- is a subsidiary
- does not have public accountability, and
- has a parent that produces consolidated financial statements available for public use that comply with full application of IFRS Accounting Standards.

For purposes of applying IFRS 19, an entity has public accountability if:

- it has debt or equity instruments that are traded on a public market or is in the process of issuing such instruments, or
- holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary business activities.

Disclosure requirements

IFRS 19 includes reduced disclosures for almost all existing IFRS Accounting Standards, the details of which are specific to each impacted standard. To apply IFRS 19, entities will first apply the recognition, measurement, and presentation requirements in each applicable IFRS. The entity will then not apply the disclosure requirements in the applicable IFRS Accounting Standards but will instead refer to IFRS 19 for required disclosures.

Standards with no reduced disclosures

The IASB assessed each individual standard to determine whether to reduce disclosures and how best to do so while still meeting the fair presentation requirements and investor needs. The following Standards do not have reduced disclosure requirements under IFRS 19 and the disclosures set out in each Standard still apply:

- IAS 33
- IFRS 8 'Operating Segments'
- IFRS 17 'Insurance Contracts'

Subsidiaries that are eligible to apply IFRS 19 are not required to apply IAS 33 or IFRS 8 but may do so voluntarily. If either are applied, the full disclosures required by IAS 33 or IFRS 8 will apply.

Amendments to IFRS 19

In August 2025, the IASB issued amendments to IFRS 19 to reflect the amendments made to other IFRS Accounting Standards between the period February 2021 to May 2024.

Due to the nature of IFRS 19, it requires amendment whenever there are any new or amended disclosure requirements in other IFRS Accounting Standards. There have been amendments to the following Standards between February 2021 and May 2024:

- IFRS 18
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)
- International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12)
- Lack of Exchangeability (Amendments to IAS 21) and
- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)

The revision to IFRS 19 aims to reflect the amendments to the disclosure requirements discussed in the above IFRS Accounting Standards.

‘The new Standard creates a reduced set of disclosures that certain in-scope entities can elect to apply instead of the disclosure requirements set out in other IFRS Accounting Standards.’

The amendments

Amendments to IFRS 19

With the below amendments, IFRS 19 reflects the changes to IFRS Accounting Standards that take effect up to 1 January 2027, when IFRS 19 will be applicable.

Relevant IFRS Accounting Standard*	Summary of amendments [as disclosed in the publication]
IFRS 7	Paragraph 56A is amended and paragraph 56C is deleted.
IFRS 18	Paragraphs 137 and 163 are amended and paragraphs 142–159 and their headings are deleted. Appendix A – Paragraph A3 is amended. Appendix B – Paragraph B8 is amended.
IAS 7	Paragraph 167 is deleted and paragraph 168 is amended
IAS 12	Paragraph 198 is deleted and paragraph 199 is amended.
IAS 21	Paragraph 222 is deleted and paragraphs 221 and 223 are amended.

Where applicable, the relevant basis for conclusions were also amended.

Amendments to other IFRS Accounting Standards

Additionally, the following IFRS Accounting Standards were amended to reflect the changes brought on by IFRS 18. These changes do not affect IFRS 19 and accordingly, no additional changes were made.

Relevant IFRS Accounting Standard*	Summary of amendments [as disclosed in the publication]
IFRS 5	Paragraphs 5B, 12, 26A and 38 are amended.
IFRS 17	Paragraph C3(a) is amended and a footnote is added.



For more information on the Standard, please refer to our publication 'Get ready for IFRS 19'. This article discusses the implementation of the disclosure requirements for subsidiaries that meet the criteria to be classified as Subsidiaries without Public Accountability, and also summarises the practical application of IFRS 19, with an illustrative analysis of the disclosures of five Standards which indicate which disclosures are still required and which are not included in IFRS 19. To obtain your copy, please get in touch with the IFRS contact in your local Grant Thornton office or go to www.grantthornton.global/en/insights/articles/get-ready-for-ifrs-19/.

Maintenance of IFRS 19

Due to the nature of IFRS 19, it will need to be amended whenever there are any new or amended disclosure requirements in other IFRS Accounting Standards. To ensure that IFRS 19 is always up to date, any proposed amendments to IFRS 19 will be included in an exposure draft for the corresponding new or amended IFRS.

To assist users in staying apprised of updates, the IASB has created an IFRS 19 disclosure tracker. This tracker will be updated in the future so it is important to check this tracker for any disclosure updates. Please note, this tracker requires an IFRS subscription.

Effective date of IFRS 19

The Standard is effective from annual reporting periods beginning on or after 1 January 2027, allowing eligible reporting entities and their auditors time to assess whether electing to apply IFRS 19 would benefit them.

Early adoption of the Standard is permitted. It is important to note that if an entity applies IFRS 19 in the current period but not in the period immediately preceding, comparative prior period information is required to be provided for amounts reported in the current period financial statements.

Commercial significance



Number of entities affected

Many jurisdictions around the world already have their own reduced disclosure frameworks set out in the local GAAP so we do not expect there to be a significant number of entities applying this Standard.



Impact on affected entities

IFRS 19 still requires entities to apply the full recognition and measurement requirements of other IFRS Accounting Standards, however it does provide significant relief from the disclosure requirements of full IFRS Accounting Standards, which will be beneficial to entities applying this Standard.

‘This new Standard aims to create a more attractive option for subsidiaries without public accountability.’

IFRS for SMEs – third edition

In February 2025 the IASB released the third edition of its IFRS for SMEs Accounting Standard (IFRS for SMEs or the Standard). This edition represents a major update to the Standard and follows a comprehensive review conducted by the IASB over the past few years. The updates to the Standard cover all sections of the current IFRS for SMEs. Some of the most significant updates are on the topics of revenue recognition, fair value measurement and business combinations.

IFRS for SMEs is designed for small and medium-sized entities (SMEs) without public accountability that are still required to prepare general purpose financial statements. Entities with public accountability are defined in the Standard as entities who have debt or equity instruments traded in a public market, or entities which hold assets in a fiduciary capacity for a broad group of outsiders (eg banks, insurance companies, securities brokers, etc). The Standard is explicitly not available to entities with public accountability, and if such an entity does apply the Standard, it cannot describe its financial statements as conforming to the IFRS for SMEs Accounting Standard, even if this is allowed by legislation in their local jurisdiction.

Key changes in the new Standard

The changes to the Standard cover a broad range of topics, and for the full list you can refer to the IFRS Foundation's press release and the published Standard ([IFRS – IASB issues a major update to the IFRS for SMEs Accounting Standard](#)). Here we have summarised some of the key changes which may have the most significant impact.

Revenue recognition

Section 23 'Revenue from Contracts with Customers' has been revised to align with the requirements of IFRS 15. This is a significant change from previous practice and will require the application of the five-step model (set out in IFRS 15) to identify revenue contracts, identify performance obligations or promises, determine the transaction price, allocate this price to each promise, and finally recognise revenue as promises are fulfilled.

These new requirements may require more work and new processes to be put in place by the reporting entity. As we saw with the adoption of this model in the full version of IFRS 15, this can be very challenging, so we would encourage preparers to start planning for this transition sooner rather than later.

Fair value measurement

Section 12 'Fair Value measurement' has been added to IFRS for SMEs for the first time in this edition. Previously, information about fair value measurement and disclosure was spread throughout the other sections where it was relevant, but in the third edition this is now grouped into a new separate section.

The reformatting that has taken place should make finding and referring to the guidance much easier, and will also ensure consistent application of fair value principles throughout the financial statements.

Business combinations

Section 19 'Business Combinations and Goodwill' has been updated in the third edition to align it more closely with the detailed requirements set out in IFRS 3 'Business Combinations'. This edition now replaces the purchase method of accounting, as it was referred to in the previous edition of IFRS for SMEs, with the acquisition method of accounting. Although the methods are similar in many respects, there are more areas of complexity that need to be addressed in the acquisition method.

Although IFRS 3 has been in effect for some time, it is often not properly understood, and as a result is not appropriately applied. For SMEs that regularly engage in business combinations or acquisitions this may cause significant difficulty when applying the updated Standard. We would recommend that preparers engage with this early. Although it applies to full IFRS requirements, our series '**Insights into IFRS 3**' may help to provide more information and supporting material on the requirements and application of the acquisition method.

Effective date

The third edition of IFRS for SMEs is effective for reporting periods beginning on or after 1 January 2027. Early application is permitted, however this may be dependent on jurisdictional approvals.

The changes introduced in the third edition must be applied retrospectively as set out in Section 10 of the Standard.

Commercial significance



Number of entities affected

Many jurisdictions have local GAAP accounting standards for SMEs, so IFRS for SMEs is not as widely applied as other IFRS Accounting Standards.



Impact on affected entities

The third edition of IFRS for SMEs introduces updates and new requirements on a number of key topics which will likely require significant effort from preparers to apply compared to their existing practice.

'This edition represents a major update to the Standard and follows a comprehensive review conducted by the IASB over the past few years.'

Translation to a Hyperinflationary Presentation Currency (Amendments to IAS 21)

In November 2025 the IASB issued amendments to IAS 21 to clarify how entities should translate financial statements from a non-hyperinflationary currency into a hyperinflationary one.

In June 2022, the IFRIC received a submission regarding the accounting treatment applied by a parent entity with a functional currency in a hyperinflationary economy when consolidating a subsidiary with a functional currency in a non-hyperinflationary economy. During its research, the IFRIC concluded that the matter identified was common and there was diversity in practice, which was expected to increase in the future. The IFRIC also identified a related issue, where an entity with a non-hyperinflationary functional currency presents its financial statements in a hyperinflationary presentation currency.

The IFRIC referred the matter to the IASB and recommended a narrow-scope amendment to provide an appropriate translation method for both the original and related issues. These targeted amendments aim to enhance information quality cost-effectively, reduce reporting differences, and clarify guidelines for hyperinflationary currencies.

The amendments

Amendments to IAS 21

The amendments to IAS 21 introduce new translation provisions as follows:

- Entities with a non-hyperinflationary functional currency but a hyperinflationary presentation currency must now translate all amounts (assets, liabilities, equity, income, expenses, including comparatives) at the closing rate at the date of the most recent statement of financial position. Previously, assets and liabilities were translated at the closing rate, but income and expenses were translated at transaction rates. This change ensures all amounts are expressed in terms of a current measuring unit, improving comparability and usefulness for users of financial statements.
- When an entity applies IAS 29 'Financial Reporting in Hyperinflationary Economies' and translates the results and financial position of a foreign operation with a non-hyperinflationary functional currency, comparative amounts for the foreign operation should be restated using a general price index, not the closing rate. This exception reduces preparation costs and maintains consistency in financial ratios.
- Entities must disclose when these new requirements have been applied and therefore all amounts have been translated at the closing rate.
- If the presentation currency ceases to be hyperinflationary, this fact must also be disclosed. Entities with foreign operations affected by these amendments must provide summarised financial information about those operations, helping users assess their impact on the entity's results and financial position.

Amendments to other IFRS Accounting Standards

In addition, the following changes are reflected in other IFRS Accounting Standards as follows:

- IFRS 19 – the new disclosure requirements that are being introduced in IAS 29 are being replicated in IFRS 19.
- IAS 29 – corresponding paragraph references are amended to reflect the new paragraphs added in IAS 21.

Effective date of the amendments

The amendments are effective from annual reporting periods beginning on or after 1 January 2027. Early adoption of the Standard is permitted.

Commercial significance



Number of entities affected

As at the end of 2025, there are 12 countries around the world that are considered hyperinflationary based on data in the World Economic Outlook report issued by the International Monetary Fund (refer to our Hyperinflation Update Alerts for details. www.grantthornton.global/en/insights/articles/ifrs-alerts/). Only entities in these hyperinflationary economies that are required to report under IAS 29 will be affected.



Impact on affected entities

These amendments will require entities to change the rates that they use to translate certain balances in their financial statements. Although this may require some change in process, the rates used are consistent with those used in other areas of the financial statements so the impact to applying these amendments will likely not be significant.

‘These targeted amendments aim to enhance information quality cost-effectively, reduce reporting differences, and clarify guidelines for hyperinflationary currencies.’

No effective date

The revised Practice Statement discussed on pages 35 to 37 can be applied from its date of publication, 23 June 2025. The Practice Statement is not a Standard and its application is not mandatory or required in order to state compliance with IFRS Accounting Standards. The Practice Statement is:

- Revised IFRS Practice Statement Management Commentary

The illustrative examples discussed on pages 38 to 40 can be applied from their date of publication, 28 November 2025. The examples do not amend the IFRS Accounting Standards as they are currently written, and do not introduce any new requirements. The illustrative examples are:

- Disclosures about Uncertainties in the Financial Statements – Illustrative Examples (IAS 36, IFRS 18, IAS 1, IAS 37, IAS 8, IFRS 7)

Revised IFRS Practice Statement Management Commentary

In June 2025, the IASB issued a revised IFRS Practice Statement Management Commentary (the Practice Statement). The objective of the revision is to provide a global benchmark for the preparation of management commentary accompanying financial statements including sustainability-related financial disclosures. The Practice Statement achieves this by adopting an objectives-based framework, focusing on what investors need to enable them to assess an entity's ability to create value and generate cash flows over time. The Practice Statement is non-mandatory but designed to be used alongside IFRS Accounting Standards and IFRS Sustainability Disclosure Standards.

Background

The Practice Statement was originally issued in 2010 to provide a broad, non-binding framework for the presentation of management commentary that relates to financial statements that have been prepared in accordance with IFRS Accounting Standards.

The revised Practice Statement was designed to improve the quality and consistency of management commentary globally. This was achieved by addressing shortcomings in current practice, particularly around the clarity and connectivity of narrative reporting and thereby provides a global benchmark for regulators to update or develop national guidance. The Practice Statement also aligns with IFRS Sustainability Disclosure Standards, helping entities identify material sustainability-related information for inclusion in management commentary.

Status of the Practice Statement

The Practice Statement is not an IFRS Accounting Standard or an IFRS Sustainability Disclosure Standard. Financial statements can comply with IFRS Accounting Standards even if they are not accompanied by management commentary or if they are accompanied by management commentary that does not comply with this Practice Statement.

Conversely, the management commentary can comply with the Practice Statement even if it accompanies financial statements prepared on a basis other than IFRS Accounting Standards or if it does not accompany or include sustainability-related financial disclosures prepared in accordance with IFRS Sustainability Disclosure Standards or on another basis.

Therefore, the management commentary might accompany financial statements as a distinguishable part of a larger report or as a standalone report.

Key elements of the framework

The Practice Statement introduces an objectives-based framework based on six key areas of content:

- 1 the entity's **business model** focusing on how the entity creates value and generates cash flows
- 2 management's **strategy** for sustaining and developing that business model, including the opportunities management has chosen to pursue
- 3 the **resources and relationships** on which the business model and strategy depend, including resources not recognised as assets in the entity's financial statements
- 4 **risks** that could disrupt the business model, strategy, resources or relationships
- 5 factors and trends in the **external environment** that have affected or could affect the business model, strategy, resources, relationships or risks, and
- 6 the entity's **financial performance and financial position** – including how they have been affected or could be affected in the future by the matters discussed for the other areas of content.

Each area of content has predetermined disclosure objectives which comprise a headline objective – describing the overall information needs of users for the area of content; and specific objectives – describing the detailed information needs of users for the area of content.

To identify the information needed to meet the disclosure objectives for an area of content, management:

- considers the descriptions of users' assessments for the area of content
- identifies the information needed to meet the specific objectives for the area of content, and
- evaluates whether the information needed to meet the specific objectives is sufficient to meet the headline objective for the area of content. If the information is insufficient, management identifies additional information needed to meet the headline objective for the area of content.

Concept of materiality

To ensure that the management commentary is useful to the entity's stakeholders, the Practice Statement requires that information is disclosed if it is material.

In the context of management commentary, information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial reports make on the basis of those reports, which include the management commentary and the related financial statements and which provide financial information about a specific reporting entity.

To help management to identify material information to meet the disclosure objectives, the Practice Statement focuses on key matters, that is, matters that are fundamental to the entity's ability to create value and generate cash flows, including in the long term. The Practice Statement assumes that key matters likely relate to matters that management actively monitors, manages or reports to internal and external stakeholders. Identifying key matters is therefore entity-specific and considered an area where management will need to apply judgement.

Attributes of useful information

The management commentary should provide a single, concise and coherent narrative setting out management's perspective of the factors – including sustainability-related factors – that have affected the entity's financial performance or financial position or that could affect the entity's ability to create value and generate cash flows in the future.

The Practice Statement asserts that the management commentary can achieve this if the information is:

- complete, neutral and free from error
- understandable
- comparable with information provided by the entity in previous periods, and with information provided by other entities, and
- provided in a way that enhances its verifiability.

The Practice Statement further asserts that the attributes all rely on information being presented as a well-integrated, coherent whole. Coherence does not require information provided outside management commentary to be duplicated in management commentary. Instead, for the management commentary to be considered coherent, the Practice Statement requires information in the management commentary to be provided in a way that clarifies relationships between either related areas of content or related pieces of information.

Interaction with other reporting requirements or guidelines

Entities can apply this Practice Statement alongside local law or regulation. If local law or regulation specifies only general requirements, an entity can apply the Practice Statement requirements and guidance to help it comply with that law or regulation. Conversely, if local law or regulation is detailed and prescribes disclosure of specific information, an entity is permitted to include all of that information in its management commentary, even if some of the information is not required by the Practice Statement, as long it does not obscure material information.

Entities can also apply this Practice Statement together with narrative reporting requirements or guidelines published by another standard-setting body or other organisations, including requirements or guidelines for use by entities in specific industries or on specific topics, such as sustainability reporting. Such requirements or guidelines could help management identify information it might need to provide to meet the requirements of this Practice Statement. That is more likely to be the case if the requirements or guidelines have a reporting objective that focuses on the information needs of the primary users of general-purpose financial reports, such as IFRS Sustainability Disclosure Standards.

Effective date

This Practice Statement supersedes 'Practice Statement 1 Management Commentary' and can be applied from its date of publication, 23 June 2025. Entities may apply this guidance to earlier periods. If an entity applies this Practice Statement for an earlier period, it must disclose that fact.

Commercial significance



Number of entities affected

Many entities provide management commentary in their financial statements, and should therefore consider this guidance.



Impact on affected entities

The Practice Statement provides non-mandatory guidance, which if applied may or may not impact how an entity prepares its management commentary. It does not change existing requirements or introduce new ones.

'The objective of the revision is to provide a global benchmark for the preparation of management commentary accompanying financial statements including sustainability-related financial disclosures.'

Disclosures about Uncertainties in the Financial Statements – Illustrative Examples (IAS 36, IFRS 18, IAS 1, IAS 37, IAS 8, IFRS 7)

In November 2025, the IASB issued ‘Disclosures about Uncertainties in the Financial Statements – Illustrative Examples’ addressing practical application of the disclosure requirements in IFRS Accounting Standards.

The illustrative examples were developed by IASB in collaboration with the International Sustainability Standards Board (ISSB) to address feedback from stakeholders about insufficient information around uncertainties – particularly climate-related uncertainties. The illustrative examples also address feedback regarding inconsistencies that may arise in the financial statements by complying with the disclosure requirements of the IFRS Accounting Standards and IFRS Sustainability Disclosure Standards.

Illustrative Examples on reporting uncertainties

The collection of examples illustrates how entities can improve the reporting of uncertainties in their financial statements to avoid creating inconsistencies within their annual report. The illustrative examples are mainly focused on climate-related fact patterns. However, the principles and requirements illustrated can be applied equally to all types of uncertainties.

The IASB had previously published a near-final staff draft of the illustrative examples in July 2025. Apart from minor editorial changes, the final examples issued also include the amendments made to the Basis for Conclusions for each relevant IFRS Accounting Standard.

A summary of the illustrative examples is set out below:

Illustrative example	Name of illustrative example	Relevant IFRS Accounting Standard*	Summary of illustrative example [as disclosed in the publication]
1	Materiality judgements applying paragraph 20 of IFRS 18	IAS 1 'Presentation of Financial Statements' [IFRS 18 'Presentation and Disclosure in Financial Statements']	Illustration of how an entity makes materiality judgements in the context of financial statements The illustrative example contains two scenarios: one scenario in which these judgements lead to additional disclosures beyond those specifically required by IFRS Accounting Standards and a second scenario in which they do not.
2	Disclosure of disaggregated information	[IFRS 18 'Presentation and Disclosure in Financial Statements']	Illustration of how an entity might disaggregate the information it provides in the notes about a class of property, plant and equipment (PP&E) on the basis of dissimilar risk characteristics if necessary to provide material information.
3	Disclosure about credit risk	IFRS 7 'Financial Instruments: Disclosures'	Illustration of how an entity might disclose information about the effects of particular risks on its credit risk exposures and credit risk management practices and how these practices relate to the recognition and measurement of expected credit losses.
4	Disclosure of assumptions	IAS 1 'Presentation of Financial Statements' [IAS 8 'Basis of Preparation of Financial Statements']	Illustration of how an entity: <ul style="list-style-type: none">might be required to disclose information about assumptions it makes about the future, even if the specific disclosure requirements in other IFRS Accounting Standards require no such disclosureidentifies the assumptions about which it is required to disclose information, anddetermines what information about these assumptions it is required to disclose.
5	Disclosure of assumptions: specific requirements	IAS 36 'Impairment of Assets'	Illustration of how an entity discloses information about the key assumptions it uses to determine the recoverable amounts of assets.
6	Disclosure about decommissioning and restoration provisions	IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'	Illustration of how an entity might disclose information about plant decommissioning and site restoration obligations, even if their effect on the carrying amount of the entity's plant decommissioning and site restoration provision is immaterial.

* IFRS Accounting Standards that are not yet effective as at the date of this publication are included in brackets.

Status of the illustrative examples

The illustrative examples have now been approved by the IASB and have been included as illustrative examples in the relevant IFRS Accounting Standard to which they relate. There is no effective date of the illustrative examples as they do not amend the IFRS Accounting Standards as they are currently written. In other words, they are effective immediately.

Commercial significance



Number of entities affected

The Illustrative Examples include scenarios that cover a wide range of uncertainties that may need to be considered in preparing financial statements. Many entities may therefore find them useful.



Impact on affected entities

The Illustrative Examples provide examples to existing IFRS Accounting Standards that provides context on how an entity considers and discloses uncertainties. The examples do not amend the current IFRS Accounting Standards or introduce new requirements and therefore the impact should not be significant.

‘The illustrative examples were developed by IASB in collaboration with the International Sustainability Standards Board (ISSB) to address feedback from stakeholders about insufficient information around uncertainties – particularly climate-related uncertainties.’



Grant Thornton's IFRS Publications

As well as the publications mentioned within the body of this publication, we also have a number of other publications including:

Reporting under IFRS – Example Interim Condensed Consolidated Financial Statements 2025



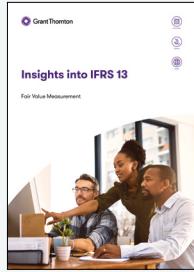
This publication illustrates the interim consolidated financial statements of a company that is an existing preparer of IFRS and produces half-yearly interim reports in accordance with IAS 34 at 30 June 2025. You can access this publication at www.grantthornton.global/en/insights/articles/ifrs-example-interim-condensed-consolidated-financial-statements-2025/.

Under control? A practical guide to applying IFRS 10 Consolidated Financial Statements



This publication aims to assist management in understanding the requirements of IFRS 10 on control and consolidation as well as identifying and addressing the key practical application issues and judgements. You can access this publication at www.grantthornton.global/en/insights/articles/under-control-applying-ifrs-10/.

Insights into IFRS 13



Our Insights into IFRS 13 article not only summarises the Standard, it also provides detailed commentary on various aspects of applying this Standard from the perspective of a preparer working alongside a valuation expert. You can access this publication at www.grantthornton.global/en/insights/articles/ifrs-13/.

Reporting under IFRS – Example Consolidated Financial Statements 2025



A set of illustrative consolidated financial statements for existing preparers of IFRS. The latest version of this publication has been reviewed and updated to reflect changes in IFRS that are effective for annual periods ending 31 December 2025. You can access this publication at www.grantthornton.global/en/insights/articles/ifrs-example-consolidated-financial-statements-2025/.

Insights into IFRIC 23



IFRIC 23 specifies how entities should reflect uncertainty in accounting for income taxes. Our 'Insights into IFRIC 23' article provides an overview of the interpretation and some practical guidance for when applying it. You can access this publication at www.grantthornton.global/en/insights/articles/insights-into-ifric-23/.

Insights into IFRS 16



Our Insights into IFRS 16 series looks at key areas of the new Standard and aims to provide assistance in preparing for IFRS 16. The key areas covered in the series are:

- Understanding the discount rate
- Interim periods
- Definition of a lease
- Lease term
- Transition choices

- Sale and leaseback accounting
- Lease payments
- Presentation and disclosure
- Lease incentives

You can access these publications at www.grantthornton.global/en/insights/ifrs-16/.

Insights into IAS 36



The articles in our 'Insights into IAS 36' series have been written to assist preparers of financial statements and those charged with the governance of reporting entities to understand the requirements set out in IAS 36 'Impairment of Assets', and revisit some areas where confusion has been seen in practice. The key topics covered are:

- Overview of the Standard
- Scope and structure
- Undertaking an impairment review
- Identifying cash-generating units
- Allocating assets to cash-generating units
- Allocating goodwill to cash-generating units
- Estimating the recoverable amount
- Value in use – estimating future cash flows
- Value in use – applying the appropriate discount rate
- Comparing recoverable amount with carrying amount
- Recognising impairment losses
- Reversing impairment losses
- Other impairment issues
- Presentation and disclosure

You can access these publications at www.grantthornton.global/en/insights/articles/IFRS-ias-36/.

Insights into IFRS 2



Share-based payments are increasingly popular, however IFRS 2 'Share-based Payment' is a Standard that remains not well understood. Our 'Insights into IFRS 2' series sets out the key considerations when applying the Standard. The key topics covered are:

- What is IFRS 2?
- Classification of share-based payment transactions and vesting conditions
- Basic principles of share-based payment arrangements with employees
- Equity-settled share-based payment arrangements with employees
- Group share-based payment arrangements with employees
- Modifications and cancellation of share-based payment arrangements with employees
- Cash-settled share-based payment arrangements with employees
- Employee share-based payment arrangements with settlement alternatives
- Share-based payments with non-employees

Coming soon to this series:

- Presentation and disclosure requirements

You can access these publications at www.grantthornton.global/en/insights/articles/ifrs-2-insights/insights-into-ifrs-2/.

Insights into IFRS 8



Our 'Insights into IFRS 8' series considers some key implementation issues and includes interpretational guidance in certain problematic areas. We also include several examples illustrating the Standard's requirements. The key topics covered are:

- Principles in brief
- Identifying operating segments
- Aggregation of operating segments
- Reportable segments
- Segment information to be disclosed
- Entity-wide disclosures
- Other application issues and Standards involving operating segments
- Disclosures for annual financial statements
- Disclosures for interim financial statements

You can access these publications at www.grantthornton.global/en/insights/articles/ifrs-8/insights-into-ifrs-8/.

Insights into IFRS 15



Our 'Insights into IFRS 15' series summarises the key areas of the Standard, highlighting some areas that are challenging to apply in practice to assist reporting entities understand how to apply IFRS 15's requirements. The key areas currently covered are:

- Overview and scope
- Step 1: Identifying a contract with a customer

Coming soon to this series:

- Step 2: Identifying a performance obligation
- Principal versus agent considerations
- Step 3: Determining the transaction price
- Step 4: Allocating the transaction price to performance obligations
- Step 5: Recognise revenue as obligations are satisfied

You can access these publications at www.grantthornton.global/en/insights/articles/ifrs-15-insights/.

Insights into IFRS 3

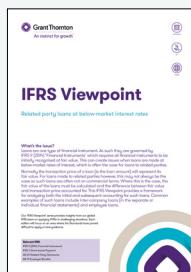


Our 'Insights into IFRS 3' series summarises the key areas of IFRS 3, highlighting aspects that are more difficult to interpret and revisiting the most relevant features that could impact your business. The key topics covered are:

- The acquisition method at a glance
- Identifying a business combination
- Identifying the acquirer
- Identifying the acquisition date
- The definition of a business
- Reverse acquisitions explained
- Reverse acquisitions in the scope of IFRS 3
- Recognition principles
- How are the identifiable assets and liabilities measured?
- Specific recognition and measurement provisions
- Recognising and measuring non-controlling interest
- Consideration transferred
- Determining what is part of a business combination transaction
- Recognising and measuring goodwill or gain from a bargain purchase
- Accounting after the acquisition date
- Accounting when the business combination is incomplete at the reporting date
- Disclosures under IFRS 3: Understanding the requirements

You can access these publications at www.grantthornton.global/en/insights/articles/ifrs-3-insights/insights-into-ifrs-3/.

IFRS Viewpoints



We have released a series of individual publications providing insights on applying IFRS in challenging situations. Each edition focuses on an area where the Standards have proved difficult to apply or lack guidance.

Related party loans at below-market interest rates – This IFRS Viewpoint provides a framework for accounting for loans made by an entity to a related party that are at below-market levels of interest.

Inventory discounts and rebates – This issue addresses how a purchaser accounts for discounts and rebates when buying inventory. Accounting for these discounts and rebates will vary depending on the type of arrangement.

Common control business combinations – This issue addresses how to account for a common control business combination.

Reverse acquisitions outside the scope of IFRS 3 – This issue considers how to account for a reverse acquisition outside the scope of IFRS 3.

Preparing financial statements when the going concern basis is not appropriate – This issue provides guidance on the issues encountered when an entity determines that it is not appropriate to prepare its financial statements on a going concern basis.

Accounting for cryptocurrencies – the basics – This issue explores the acceptable methods of accounting for holdings in cryptocurrencies while touching upon other issues that may be encountered in this area.

Accounting for crypto assets – mining and validation issues – This issue seeks to explore the accounting issues that arise for miners and validators in mining and maintaining the blockchain in accordance with existing IFRS Accounting Standards.

Accounting for client money – This issue provides guidance on client money – arrangements in which a reporting entity holds funds on behalf of clients.

Configuration or customisation costs in a cloud computing arrangement – This issue discusses the IFRIC's agenda decision addressing how a customer should account for costs of configuring or customising a supplier's application software in a Cloud Computing or Software as a Service (SaaS) arrangement.

You can access these publications at www.grantthornton.global/en/insights/viewpoint/ifrs-viewpoints-hub/.

If you would like to discuss any of these publications, please speak to your usual Grant Thornton contact or visit www.grantthornton.global/locations to find your local member firm.



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