Hong Kong Institute of Certified Public Accountants
香港會計師公會

HKFRS 18 NAVIGATOR
GETTING READY

FEBRUARY 2026 ISSUE 1

Are Your Financial Reporting Systems and Policies Ready for HKFRS 18?

HKFRS 18 *Presentation and Disclosure in Financial Statements* replaces HKAS 1 *Presentation of Financial Statements* and introduces significant changes to how entities communicate financial performance in their financial statements. The standard is effective for annual periods beginning on or after **1 January 2027**, with **retrospective application**. Although 2027 may seem distant, retrospective application means comparative information for 2026 must be restated. As a result, systems, policies and processes must be ready to capture and present information under the new standard from as early as 1 January 2026. **Now is the time to start implementation.**

This first newsletter in our series provides an overview of the major changes introduced by HKFRS 18, their potential impacts, and the initial steps entities should be taking now. Future newsletters will explore specific requirements and industry considerations in more detail.

WHAT'S CHANGING UNDER HKFRS 18?

1 NEW STRUCTURE OF THE STATEMENT OF PROFIT OR LOSS

HKFRS 18 introduces three new categories[1] for classifying income and expenses:

- **operating**
- **investing**
- **financing**

Entities are also required to present two new defined subtotals in the statement of profit or loss:

- **operating profit**
- **profit or loss before financing and income taxes**

[1] The categories in the statement of profit or loss have different meanings to those in the statement of cash flows.

2 MANAGEMENT-DEFINED PERFORMANCE MEASURES (MPMS)

To improve the transparency and discipline in the use of performance measures, HKFRS 18 introduces new disclosure requirements for MPMs. Entities are required to disclose MPMs in a **single note** to the financial statements.

MPMs are subtotals of income and expenses other than those specified by HKFRS Accounting Standards, that management uses to communicate entities' financial performance publicly.

3 GROUPING OF INFORMATION

HKFRS 18 provides enhanced guidance on how financial information should be grouped in the primary financial statements and the notes. Entities are required to:

- aggregate items with similar characteristics, and disaggregate items with dissimilar characteristics;
- group items in a way that does not obscure material information; and
- use meaningful labels or descriptions for aggregated items.

4 CHANGES TO THE STATEMENT OF CASH FLOWS

Operating profit or loss becomes the mandatory starting point for the indirect method in the operating cash flows section of the statement of cash flows. In addition, existing accounting policy choices for classifying interest and dividend cash flows are removed.

Hong Kong Institute of Certified Public Accountants 香港會計師公會

HKFRS 18 NAVIGATOR
GETTING READY

FEBRUARY 2026 ISSUE 1

POTENTIAL IMPACT AREAS

The transition to HKFRS 18 goes beyond changes to presentation and disclosure. It will affect financial reporting systems, accounting policies, internal reporting processes, management commentary and external communications.

Financial Reporting Systems	Accounting Policies	People and Processes
• Restructuring of the chart of accounts • Introduction of new data fields for classification and disaggregation • Modifications to reporting tools for new subtotals and categories	• Development of new policies for MPMs identification and disclosure • Updates to aggregation and disaggregation policies	• Training for finance teams on new requirements • Updates to period-end close processes and review procedures • Preparation of investor relations for communicating changes

YOUR READINESS CHECKLIST

To begin your HKFRS 18 journey, consider the following initial steps:

- **Conduct an impact assessment** — Evaluate how the new requirements under HKFRS 18 (e.g. new categories and subtotals) affect your current presentation and disclosure.
- **Review your management-defined performance measures** — Determine whether measures communicated to investors and analysts will meet the definition of MPMs and identify any additional disclosures requirements.
- **Engage your systems and IT teams** — Assess whether your financial reporting systems can accommodate the new classification structure and produce the required comparative information.
- **Educate stakeholders** — Brief your board, audit committee, investor relations team and auditors on the expected changes and implementation timeline.
- **Monitor developments** — Stay alert to guidance from the HKICPA and other relevant bodies, including implementation support materials and any local considerations.

Hong Kong Institute of Certified Public Accountants 香港會計師公會

HKFRS 18 NAVIGATOR *GETTING READY*

FEBRUARY 2026 ISSUE 1

LOOKING AHEAD: OUR SERIES

All entities, across all industries, that apply HKFRS Accounting Standards will be impacted by HKFRS 18. The new standard represents a fundamental shift in how financial performance is presented in the financial statements. At the same time, it provides an opportunity to enhance how entities communicate their financial performance to users.

To support entities through this transition, we are rolling out a series of implementation support designed to equip entities with the insights needed to embrace this landmark reporting evolution.

Over the coming months, we will publish **eight further issues of HKFRS 18 Navigator** providing detailed technical guidance on specific aspects of HKFRS 18.

Q1

1. **Getting ready**
2. Navigating the new structure

Q2

3. Defining what you do: Determination of main business activities
4. Management-defined Performance Measures
5. Insights for financial institutions

H2

6. A deep-dive into Income, expenses & information grouping
7. Beyond the headlines: Changes to other HKFRS Accounting Standards
8. Navigating IFRS agenda decisions on HKFRS 18
9. From theory to practice

The clock is ticking on the comparative period. Start your assessment today.

This publication has been prepared by staff of HKICPA for information or illustration purposes. Members of the HKICPA and other users should also read the full HKFRS Accounting Standards, as found in the HKICPA Members' Handbook for further reference, and seek professional advice where necessary.