

FINANCIAL REPORTING: WHAT'S AHEAD FOR 2025? FOCUS ON INVESTOR- AND ANALYST-ORIENTED PROJECTS



SUMMARY REPORT

HYBRID EVENT – 6 FEBRUARY 2025



This report has been prepared for the convenience of European constituents by the EFRAG Secretariat and has not been subject to review or discussion by neither the EFRAG Board nor the EFRAG Technical Expert Group. It has been reviewed by the speakers at the event.

Background/Introduction

EFRAG, ABAF-BVFA and CNC-CBN organised a hybrid seminar, *Financial reporting: What's ahead for 2025? Focus on investor- and analyst-oriented projects*, in Brussels on 6 February 2025. This report summarising the event has been prepared for the convenience of European constituents. All of the speakers' biographies, the programme and the slide deck can be found [here](#).

Participants and panellists were welcomed by EFRAG's CEO, Saskia Slomp.

The event focused on the following topics:

- the presentation of the IASB's and EFRAG's workplans for 2025
- IFRS 18 *Presentation and Disclosure in Financial Statements*
- the statement of cash flows
- intangibles.

For each of the topics above, IASB and EFRAG representatives delivered their presentations, and the audience had the opportunity to submit their questions to the speakers. The event focused on investors' and analysts' perspectives on financial reporting.

Introduction and opening remarks

Saskia Slomp, EFRAG CEO, opened the session by welcoming participants and outlining some of the technical aspects of the event.

Sadi Podevijn, CBN-CNC Secretary General and EFRAG FRB member, emphasised that given the constantly evolving challenges and opportunities businesses face today, financial reporting needs to evolve to meet investors' needs. She highlighted that in recent years her organisation has been increasingly engaged in a wide range of financial reporting topics, with the core objective of providing information that enables users to make informed decisions. Finally, she introduced the speakers and outlined the agenda.

What's ahead in 2025 in financial reporting?

Overview of the IASB workplan for 2025

Nick Anderson, IASB member, provided an overview of the milestones reached by the IASB in 2024: newly issued IFRS Accounting Standards, amendments and other publications. He then introduced the IASB's workplan and listed the upcoming IASB projects. He emphasised that stakeholder feedback during the agenda consultation process is the basis for determining which projects are to be included in the IASB's workplan. Following the IASB's Third Agenda Consultation, the IASB has added the following projects to its workplan:

- Intangible Assets
- Statement of Cash Flows and related matters

- Climate-related and Other Uncertainties in the Financial Statements

The IASB undertakes three main types of projects: research, standard-setting and maintenance projects.

Moreover, **Nick Anderson** emphasised the importance of connectivity of information, ensuring that investors receive consistent and coherent information about financial and sustainability matters, risks and opportunities. In that context, the IASB is working on two main projects facilitating these connections, namely *Climate-related and Other Uncertainties in the Financial Statements* and *Management Commentary*.

Overview of the EFRAG workplan for 2025

Wolf Klinz, EFRAG FRB Chair, presented EFRAG's 2025 workplan. He explained that EFRAG's work consists of three different types of activities:

- **endorsement advice:** providing endorsement advice to the European Commission about newly issued IFRS Accounting Standards and amendments;
- **reactive activities:** monitoring and reacting to IASB's proposals; and
- **proactive activities:** conducting research to stimulate the financial reporting debate in Europe and worldwide and to influence the IASB.

As part of its proactive work, in 2024 EFRAG published its Discussion Paper on the *Statement of Cash Flows*, which is still open for consultation. In addition, EFRAG has published an initial paper addressing the *Interplay of Connectivity and Annual Report Boundaries*. Looking ahead, EFRAG plans to publish its Discussion Paper on *Connectivity between Financial Reporting and Sustainability Reporting* in the first half of 2025. Regarding the *Pollutant Pricing Mechanisms* project, EFRAG has had discussions with the IASB to determine whether the project will be put forward.

Q&As

The audience asked the following question.

Question: What are the upcoming projects included in the IASB's workplan for 2025 that are of particular interest to investors?

Answer: **Nick Anderson** explained that the event focused on IASB projects with a particular focus on investors. He informed the audience that soon the IASB will launch its Fourth Agenda Consultation covering 2027–2031.

Discussion on user-oriented projects

Serge Pattyn, member of the ABAF-BVFA Board and of the EFFAS Commission on Financial Reporting, opened the discussion on user-oriented projects by emphasising the importance of financial reporting for users of financial statements.

IFRS 18 Presentation and Disclosure in financial statements

IASB Presentation

Nick Anderson, IASB member, explained that IFRS 18 primarily aimed at improving how companies communicate in their financial statements. IFRS 18 focuses on the income statement, addressing investor demands for increased comparability, transparency and consistency in how companies communicate their performance. Investors have also called for greater transparency in the use and calculation of non-IFRS measures as well as improved grouping of information in the financial statements.

Regarding non-IFRS measures, **Nick Anderson** explained the definition of management-defined performance measures (MPMs) and noted that the IASB has leveraged ESMA's guidelines on alternative performance measures (APMs) when developing MPM disclosure requirements.

Nick Anderson noted that after reviewing the income statement of 100 companies, 61 reported a subtotal of operating profit or loss using at least nine different definitions. To enhance comparability and consistency, IFRS 18 introduces two defined subtotals – operating profit and profit before financing and income taxes. Furthermore, income and expenses have to be classified in operating, investing and financing categories in the statement of profit or loss as well as income taxes and discontinued operations. Entities with a main specified business activity (e.g. banks and insurers) are required to use a consistent structure by reclassifying some of the income and expenses in the operating category that would otherwise be classified in the investing category.

Nick Anderson stated that IFRS 18 becomes effective for periods starting on or after 1 January 2027, with early adoption permitted. Some companies are expected to begin communicating to the market as early as 2026 about how their income statement will be shaped under the new Standard. In this context, **Serge Pattyn** emphasised that as IFRS 18 will be effective soon, users should begin familiarising themselves with the new requirements.

EFRAG Presentation

Sébastien Harushimana, EFRAG FR TEG Chair, presented the feedback that EFRAG has received regarding the new requirements of IFRS 18. He explained that the newly defined subtotal 'operating profit or loss' allows users to more effectively compare operating results across entities. Users also welcomed the introduction of MPM requirements, as these allow reconciliation between figures in the financial statements and those communicated outside of them. Furthermore, he highlighted that the IFRS 18 requirements on aggregation and disaggregation enhance the financial statements' presentation, addressing users' common difficulties in understanding what is to be included in line items under 'Other'.

However, **Sébastien Harushimana** noted that some European stakeholders raised concerns about certain aspects of IFRS 18. For example, several preparers from the insurance industry raised concerns about the exclusion of results arising from equity-accounted for investments from the operating category, suggesting that these investments support their underwriting activities. On the other hand, users disagreed with providing industry-specific exceptions. As a compromise, the IASB provided an option to use an additional subtotal ‘operating profit or loss and income and expenses from investments accounted for using the equity method’, which could be used without being considered as an MPM. Additionally, the IASB provided an option for entities to reconsider fair value measurement upon transition. Given these considerations, **Sébastien Harushimana** concluded that the issue is not a blocking factor for a positive endorsement.

Q&As

The audience asked the following question.

Question: When will be IFRS 18 endorsed for use in the EU?

Answer: **Sébastien Harushimana** explained that the Standard is expected to be endorsed by the end of 2025. He noted that after EFRAG issues its endorsement advice to the European Commission, it takes approximately six months for the Standard to be published in the Official Journal of the European Union.

Statement of cash flows

EFRAG Presentation

Rasmus Sommer explained that EFRAG launched a research project on the statement of cash flows in response to the feedback it received from its agenda consultation, especially from users. IAS 7 is an old standard, and significant changes have occurred since its implementation. Emphasising the importance of user involvement, he encouraged users to engage in the process, as many issues with the statement of cash flows have been identified with different perspectives on how it is used by users. In addition, he pointed out that addressing one specific issue associated with how the statement is used by a specific user could result in issues with how it is used by others.

He then listed the objectives, usages of and issues with the statement of cash flows. He highlighted some of the issues with the statement of cash flows and how they affect the qualitative characteristics of financial information, including:

- the definition of ‘cash and cash equivalents’
- cash flows of an agent
- non-cash transactions
- classification of cash flows
- cash flow disclosures

- disaggregation of information
- definition of measures
- cohesiveness with other primary financial statements
- presentation of cash flows from operating activities.

Serge Pattyn acknowledged the challenges users face with the statement of cash flows for insurers and banks, noting that EFRAG's Discussion Paper outlines possible alternatives for these entities. **Rasmus Sommer** added that while there are various approaches, each comes with its own drawbacks.

IASB Presentation

Nick Anderson stated that IFRS 18 also introduces requirements related to the statement of cash flows, including the starting point for the indirect method and the removal of options previously available for the classification of interest and dividends received and paid across categories.

Nick Anderson then listed the high-level matters identified so far, grouping them into seven main categories. He further explained that research conducted by the IASB, along with the work of EFRAG and others, has confirmed that most additional issues fall within these same seven categories:

- classification of cash flows
- disaggregation of cash flow information
- non-cash transactions
- direct versus indirect method
- commonly used cash flow measures
- definition of 'cash and cash equivalents'
- limited usefulness of the cash flow statement for financial institutions.

Nick Anderson presented the IASB's preliminary findings from initial meetings, highlighting that investors primarily raised concerns about how to deal with non-cash transactions and their wish for disaggregation about maintenance and growth of CAPEX. Auditors and preparers, on the other hand, called for more guidance on cash flow classification. While both investors and preparers rely on cash flow metrics, feedback also revealed that the statement of cash flows is of limited use for financial institutions. As a result, the IASB will prioritise these key matters while ensuring that users' needs are met.

He explained that although users have different objectives and use the statement of cash flows differently, they ultimately seek the same information. The IASB will discuss the project's scope in its March 2025 meeting.

Serge Pattyn asked whether there will be a comprehensive review of IAS 7 or whether the IASB will be proposing amendments to specific requirements. **Nick Anderson** responded that the IASB will discuss and decide on the direction of travel for this project.

Intangibles

IASB Presentation

Nick Anderson outlined the IASB's comprehensive review of IAS 38, framing intangibles as a spectrum ranging from software to brands and customer relationships to corporate culture and workforce, mentioning the challenge of having one standard that covers such a diverse group of assets and resources, particularly as new types like carbon credits and cryptocurrencies emerge. He also noted that the IASB's research revealed a preference for incremental improvements rather than a complete overhaul of the standard. He referenced extensive outreach with groups of investors, companies and auditors, including surveys with 70 investors and over 200 general respondents. Feedback from stakeholders revealed that there is no single overall problem and that there is a strong demand from investors for more information about intangibles in the financial statements. Other issues were mentioned such as the gap between an entity's market capitalisation and the book value of its net assets as well as the lack of comparability between entities growing organically and those growing through acquisitions. **Nick Anderson** explained that the IASB's next step involves analysing research findings and discussing how the project should progress.

EFRAG Presentation

Sébastien Harushimana noted EFRAG's completion of its research on the intangibles project in April 2023, publishing a feedback statement that underscores the urgent need to modernise IAS 38, a standard created many years ago. He highlighted that IAS 38 fails to address modern intangibles such as crypto assets, carbon credits, cloud computing arrangements and digital data, which are increasingly critical to value creation. He also stressed that constituents, including investors and auditors, largely oppose expanding balance sheet recognition of internally generated intangibles (e.g. R&D, brand value, workforce) due to the risks of subjectivity and inconsistent valuations. Instead, they advocate for mandatory disclosures in the notes to the financial statement to provide transparency about unrecognised assets, noting that the existing IAS 38 encourages, but does not require, the disclosure about significant unrecognised intangible assets. For example, pharmaceutical companies investing large amounts in the pre-approval drug development phase may leave stakeholders unaware of future value potential as these costs are expensed and never retrospectively capitalised. Comparability concerns were also raised, as balance sheets of companies growing organically appear fundamentally different from those growing through acquisitions, distorting performance analysis. **Sébastien Harushimana** urged the IASB to clarify whether emerging topics like crypto and carbon credits should fall under a revised IAS 38 or be addressed separately.

Q&As

The audience asked the following questions.

Question: Is the distinction between tangible and intangible assets still relevant?

Answer: **Nick Anderson** mentioned that the scope of the project is unconstrained and that the IASB was starting with a broad scope with a focus on intangible assets.

Question: Is the definition of tangible asset as a physical asset still up-to-date?

Answer: **Nick Anderson** referred to the 2018 revised version of the conceptual framework, noting that the updated framework had introduced a new high-level thinking of the definition of assets and liabilities. **Nick Anderson** indicated that an assessment of how the revised framework impacts the understanding and definition of intangible assets would be necessary.

Closing of the event

Saskia Slomp Saskia Slomp concluded that there are many exciting developments in financial reporting, as well as ongoing issues that still need to be addressed. She emphasised the importance of user input in the standard-setting process and reminded the audience about EFRAG's open public consultations. Finally, she thanked the speakers and closed the meeting.



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