APPENDIX A

Key points of attention from the exploratory review of the cash flow statements in the financial statements of 2024

In short – In 2025, the AFM conducted an exploratory review of the quality of cash flow statements, covering both financial statements and audit firms. This document presents the key points of attention for the sector arising from the review into the quality of cash flow statements and related disclosures included in the 2024 financial statements of a selection of listed companies, prepared in accordance with IFRS.

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5 key points of attention from the review

In this document, we set out five key points of attention arising from our review of the quality of cash flow statements and the related disclosures, conducted on the 2024 financial statements of thirty listed companies subject to financial reporting supervision. The review was conducted in response to recurring findings identified by the AFM in its financial reporting supervision relating to cash flow statements. This underscores the relevance of these points of attention. The cash flow statement is a primary statement in the financial statements and provides important input for investors' decision-making. Ensuring a faithful representation of the cash flow statement and the related disclosures is therefore a key focus within financial reporting supervision.

The points of attention reflect the most relevant and recurring findings identified in the review and provide guidance for improving compliance with IAS 7 (Statement of Cash Flows). The points of attention are presented in no particular order.

When applying the requirements related to the points of attention, materiality may be relevant. Materiality considerations that justify departures from the requirements of IAS 7 should be reassessed at each reporting date to ensure that they remain appropriate and valid.

The listed companies subject to financial reporting supervision have been informed of these points of attention by letter.

1. Presentation of cash flows on a net basis

In several cash flow statements, movements in certain line items are presented on a net basis, where IFRS requires gross presentation. Net presentation is permitted only in a limited number of specific circumstances. Gross presentation provides better insight into the total cash flows associated with particular activities.
Relevant IFRS requirements for this attention point: IAS 7.22–24.

2. Exchange rate changes on cash and cash equivalents

Various opportunities for improvement in the reporting of exchange rate differences on cash and cash equivalents were identified. In some cases, entities reported these foreign exchange effects outside the reconciliation of cash and cash equivalents, for example within operating or investing cash flows. In other cases, amounts included in the reconciliation related to items such as tangible fixed assets, rather than cash and cash equivalents.

In addition, we observed instances where the amount of foreign exchange differences was relatively large compared with the cash and cash equivalents balance. This raises the question of whether the amount may have been incorrectly determined.

Relevant IFRS requirement for this attention point: IAS 7.28.

3. Accounting policy and identification of cash equivalents

Financial instruments can only be classified as cash equivalents when they meet specific criteria. For example, overdraft facilities on current accounts qualify as cash equivalents only when they form an integral part of cash management. In such cases, the balances must also fluctuate regularly between positive and negative; otherwise, they should be presented as financing cash flows. In addition, cash equivalents must be readily convertible into a known amount of cash and be subject to an insignificant risk of changes in value.

When reporting cash equivalents, we expect entities to disclose an accounting policy that clearly reflects the actual use of cash equivalents. Furthermore, we expect a breakdown of the amounts by category within "cash and cash equivalents".

Relevant IFRS requirements for this attention point: IAS 7.7–9.

4. Interest and dividends paid and received

Although the amounts are not always significant, IFRS requires interest and dividends received and paid to be disclosed separately. In this respect, two recurring issues were identified:

- the separate disclosures were missing, or
- the amounts reconciled to the amounts reported in the statement of profit or loss, which typically does not align due to accrual accounting differences.

Relevant IFRS requirement for this attention point: IAS 7.31

5. Disclosures on changes in ownership-interests in subsidiaries and other businesses

Required disclosures on cash flows arising from changes in ownership interests in subsidiaries and other businesses were sometimes incomplete or missing. This limits the users' ability to understand the financial impact of acquisitions, disposals or partial loss/gain of control.
Relevant IFRS requirements for this attention point: IAS 7.39–40.

If you have any questions regarding this review, please contact fin.verslaggeving@afm.nl.