

UKEB Research

Statement of Cash Flows and Related Matters



Presentation to IFRS Foundation Accounting Standards Advisory Forum (ASAF)

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The views expressed in this presentation are those of the presenter and not necessarily those of the Endorsement Board, nor are they necessarily reflective of any official policy or position.



Background to the UKEB's research project

- The UKEB embarked on a proactive research project in October 2024 on the *Statement of Cash Flows and Related Matters* to
 - Enable UKEB to gather an **evidence base** to contribute to the work of the IASB
 - Ensure that any **future amendments** to the standard reflect the **views of UK stakeholders**
- Research involved
 - Financial Statements Analysis – **non-mandatory disclosures** ('encouraged' by IAS 7), **voluntary disclosures and other cash flow measures**
 - Investor/Creditor interviews and a User poll
 - Preparer Interviews

Investors/Creditors: The statement of cash flows is useful for users of financial statements for non-financial institutions.



“the statement of cash flows is more important than the statement of profit and loss”

UKEB Research Project: Outputs Dec-2024 – Jul-2025

Research paper 1

[Background and key issues \(Dec-2024\)](#)

Research paper 2

[Non-mandatory and voluntary disclosures \(Feb-2025\)](#)

Research paper 3

[UK User & preparer perspectives \(Mar-2025\)](#)

Summary booklet

[Summary of first three UKEB papers \(Jul-2025\)](#)
(including the results of a User Poll)

Research paper 4

[UK Users' views on potential ways forward \(Jul-2025\)](#)

Note: Links to documents provided where underlined

Key Research findings

- UK stakeholders consider that there are **opportunities** for targeted improvements to enhance reporting of cash flow (and non-cash) information
- Specific **opportunities** identified by stakeholders include
 - ✓ Improving **cohesiveness** between the primary financial statements by introducing **overarching principles**
 - ✓ **Potential supplementary disclosures to links amounts disclosed in the primary financial statements**
 - **Cross-referenced** to enhance the usefulness
 - Including a **reconciliation of net debt**
 - Presenting **non-GAAP measures**,
 - **Exceptional items** or non-recurring/infrequently recurring items
 - **Working capital movements** note
 - Increasing information on relevant **non-cash information** (both non-cash items and non-cash transactions)
 - ✓ Enhancing **interconnectivity** between **IFRS Accounting Standards** to **elevate the importance of the statement of cash flows**

Financial Statement Cohesiveness Opportunities

- **Relevant information scattered** across the financial statements and notes
- **Few companies provide cross-references** to the notes for relevant cash flows
- **Cohesiveness** of the financial statements could be improved by
 - ✓ specifying a **cohesiveness principle to ensure that the financial statements provide sufficient information to enable users to link items included in the statement of cash flows with the other primary financial statements**
 - ✓ **sufficient disaggregated information** to enable users to **link information** disclosed in each of the primary financial statements, including, but **not limited to**
 - **cross referencing**
 - more **supplementary disclosures**
 - ✓ Qualitative disclosure through **commentary** on the statement of cash flows

Financial Statement Cohesiveness Benefits

Users of financial statements want to be able to link information between the primary financial statements and the notes.

The statement of cash flows is seen as a key financial statement, helping users to understand the quality and sustainability of financial performance.

A cohesiveness principle would support this by:

- ✓ **enabling reconciliation** of cash flow statement **to the other primary financial statements** i.e. balance sheet and **income statement** (Appendix A)
- ✓ **improving transparency** on how the information disclosed in the **notes relates to each other** e.g. share-based payments, derivatives, leases, capital expenditure and the impact of business combinations
- ✓ improving the requirements in IAS 7, to require disclosure of both changes arising from **cash flows and non-cash changes**, such as
 - changes arising from **obtaining or losing control** of subsidiaries or other businesses
 - the effect of changes in **foreign exchange rates** and changes in **fair values**

Supplementary disclosures Opportunities and Benefits

- **Users have identified supplementary disclosures** that, if **cross-referenced**, would enhance the usefulness of the statement of cash flows and the financial statements more generally.
- **Based on voluntary disclosures provided in the UK**, users are keen to see
 - ✓ An integrated statement of **net debt** (Appendix B) – **highest priority** for most UK users
 - incorporating information about changes in liabilities arising from financing activities (currently required in IAS 7)
 - to clearly link to the information reported in the statement of cash flows
 - ✓ Reconciliation of **changes in working capital – entity specific breakdown** reconciling the statement of cash flows to the balance sheet movements for the respective components of working capital (Appendix C)
 - ✓ More transparency for **exceptional items** i.e. material non-recurring or infrequently recurring items, including the **impact on both the income statement and statement of cash flows**, included in a single disclosure note (Appendix D)

Net Debt Reconciliation Opportunities and Benefits

- A **net debt reconciliation** was seen as a significant opportunity to enhance the information about cash flow, particular highlighting the impact of non-cash transactions, and enhancing consistency of existing requirements relating to financing activities. (see next slide for example)

Investors/Creditors: Net debt is very important– a definition of net debt would be useful, or at least an IFRS –defined measure against which an entity can disclose its adjusted net debt as an MPM



Users need to understand the impact of:

- **business combinations i.e. net debt acquired**
- **factoring and reverse factoring**

A mandatory net debt disclosure reconciled to the statement of cash flows, and more generally reconciled to the primary financial statements, would be useful, as it would improve cohesiveness for users

Example Net Debt Reconciliation

Consolidated cash flow statement continued

Year ended 31 December 2024

The movement in net cash/(debt) (defined by the Group as including the items shown below) is as follows:

	At 1 January £m	Funds flow £m	Exchange differences £m	Fair value adjustments £m	Reclassi- fications £m	Other movements £m	At 31 December £m
2024							
Cash at bank and in hand	739	(15)	(10)	–	–	–	714
Money market funds	1,077	841	(18)	–	–	–	1,900
Short-term deposits	1,968	1,027	(34)	–	–	–	2,961
Cash and cash equivalents (per balance sheet)	3,784	1,853	(62)	–	–	–	5,575
Overdrafts	(53)	51	–	–	–	–	(2)
Cash and cash equivalents (per cash flow statement)	3,731	1,904	(62)	–	–	–	5,573
Other current borrowings	(478)	471	–	(18)	(774)	–	(799)
Non-current borrowings	(3,568)	(3)	19	7	774	(5)	(2,776)
Lease liabilities	(1,660)	299	(7)	–	1	(188)	(1,555)
Lease liabilities included within liabilities held for sale	–	–	–	–	(1)	–	(1)
Financial liabilities	(5,706)	767	12	(11)	–	(193)	(5,131)
Net cash/(debt) excluding the fair value of swaps	(1,975)	2,671	(50)	(11)	–	(193)	442
Fair value of swaps hedging fixed rate borrowings ¹	23	11	(18)	17	–	–	33
Net cash/(debt)	(1,952)	2,682	(68)	6	–	(193)	475

Source: Rolls Royce, 2024

Working Capital Movements Opportunities and Benefits

- Few UK-listed companies sampled provided a voluntary disclosure of working capital movements (for two examples of companies that disclose see Appendix C)
- Users see working capital a core element of ongoing business but said they **could not reconcile the working capital movement in the statement of cash flows to the movements in the balance sheet**
- Working capital is not defined in IFRS

Investors/Creditors: Working capital movement is very important



- entity-specific component breakdown would help users understand what entity considers are its components of working capital
- users need to understand the impact of
 - business combinations
 - factoring and reverse factoring

A working capital movements disclosure reconciled to the statement of cash flows and to the movement on the statement of financial position.

Exceptional or Non-recurring items

Opportunities and Benefits

- Better information on **Exceptional** (non-recurring or infrequently recurring) **or other adjusting items** would help users assess long-term cash flows.
 - Information on the **cash impact is not widely reported** by UK-listed companies sampled (for two examples of disclosure see Appendix D)
 - Information needs to include the impact i.e. amount and category (operating, investing, financing) included in
 - The statement of cash flows
 - The income statement

Non-cash information Opportunities and Benefits

- Information on **non-cash transactions** provide users with better insight into the cash position and help them compare companies. However
 - **Information is often scattered**
 - **Users cannot reconcile between the primary financial statements and the notes**
 - **Insufficient information on transactions such as**
 - leases
 - factoring of trade receivables and reverse factoring (supply chain financing) of trade payables
 - share-based payments
- **Possible solution: single note disclosure of non-cash** (Appendix E)
- **Other non-cash items**
 - users want to understand the **material effects** on balance sheet movements to **enable users to link information** in the statement of financial position with information in the statement of cash flows including **foreign currency exchange translation differences, fair value movement, and business combinations**

Interconnectivity between IFRS Accounting Standards

IFRS Accounting Standards other than IAS 7, frequently include explicit income statement or balance sheet related disclosure requirements, but they **rarely include cash flow related required disclosures**

- To **strengthen the connection** between IFRS Accounting Standards and to **elevate the importance of the statement of cash flows**, there are opportunities for the IASB to
 - **refer to the statement of cash flows**, and the classification principles and disclosure objectives in IAS 7
 - ensure that **principles in IAS 7 are sufficiently clear** to ensure preparers are able to apply the standard

Examples of observed voluntary or suggested disclosures are shown in the appendices:

• Leases	(Appendix F)	IFRS 16 <i>Leases</i>
• Capital Expenditure	(Appendix G)	IAS 16 <i>Property, Plant & Equipment</i> IAS 36 <i>Intangible Assets</i>
• M&A, divestitures	(Appendix H)	IFRS 12 <i>Disclosure of Interests in Other Entities</i> IFRS 3 <i>Business Combinations</i>
• Derivatives	(Appendix I)	IFRS 9 <i>Financial Instruments</i>
• Factoring receivables		IFRS 7 <i>Financial Instruments: Disclosures</i>
• Share-based payments*	(Appendix J)	IFRS 2 <i>Share-based payments</i>
• Provisions	(Appendix K)	IAS 37 <i>Provisions, Contingent Liabilities, etc</i>

Elevating the importance of the Statement of Cash Flows

- Companies approach the statement of cash flows as a compliance exercise rather than a valuable financial tool
- Cash flow information is of significant importance to investors, yet the current accounting standard is not always leading companies to provide the information that users need

Current research—Net debt (Nov-2025)

UKEB research indicated:

- Users said that this disclosure is useful and **improves the cohesiveness** of the financial statements
- Users need to understand the **impact** on net debt of
 - **acquired debt through business combinations**
 - **factoring and supply chain finance (reverse factoring) arrangements**
- We recommend the IASB consider requiring a mandatory net debt reconciliation in IAS 7, as an **extension of the required to provide details of the changes in financing liabilities**

COMING SOON.....

Research paper 5

Net debt disclosures (Nov-2025)

UKEB research: Questions?

Questions for ASAF members:

1. Do you have any comments on the findings in the UKEB research papers?
2. Do any of the findings resonate with ASAF members?
3. Are any key findings contrary to findings in ASAF member jurisdictions?

Contact Us

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Appendix A: reconciliation of cash flow statement to income statement

	Reported profit or loss	Timing differences - changes in working capital	Timing differences - other than WC	FX gains or losses	FV gains or losses	Other Non- cash items	Other adjustments	Cash flow before reclassifica- tions	Reclassifica- tions of interest to investing and financing	Reported operating cash flows
	2024 £m	2024 £m	2024 £m	2024 £m	2024 £m	2024 £m	2024 £m	2024 £m		2024 £m
Revenue	1,949.5	(26.9)	0.0	0.0	0.0	(17.4)	(22.0)	1,883.2	0.0	1,883.2
Other income	18.8	0.0	0.0	0.0	0.0	0.0	0.0	18.8	0.0	18.8
Staff costs	(205.1)	0.0	(7.1)	0.0	0.0	2.1	0.0	(210.1)	0.0	(210.1)
Other operating costs	(602.4)	(11.0)	0.0	0.0	0.0	6.7	0.0	(606.7)	0.0	(606.7)
Allowance for expected credit losses – trade and other receivables	(22.0)	0.0	0.0	0.0	0.0	0.0	22.0	0.0	0.0	0.0
Depreciation of property, plant and equipment	(406.1)	0.0	0.0	0.0	0.0	406.1	0.0	0.0	0.0	0.0
Amortisation of intangible assets	(32.7)	0.0	0.0	0.0	0.0	32.7	0.0	0.0	0.0	0.0
Infrastructure renewals expenditure	(219.8)	0.0	0.0	0.0	0.0	0.0	0.0	(219.8)	0.0	(219.8)
Total operating expenses	(1,469.3)	(37.9)	(7.1)	0.0	0.0	430.2	0.0	(1,017.8)	0.0	(1,017.8)
Operating profit	480.2	(64.8)	(7.1)	0.0	0.0	412.8	(22.0)	865.4	0.0	865.4
Investment income	85.6	0.0	(6.3)	0.0	0.0	(28.6)	0.0	50.7	(50.7)	0.0
Finance expense	(389.3)	0.0	204.2	0.0	0.0	9.5	0.0	(175.6)	175.6	0.0
Allowance for expected credit losses – loans to joint ventures	(2.4)	0.0	0.0	0.0	0.0	2.4	0.0	0.0	0.0	0.0
Net finance expense	(306.1)	0.0	197.9	0.0	0.0	(16.7)	0.0	(124.9)	124.9	0.0
Disposal of subsidiary	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Share of losses of JVs and associates	(4.1)	0.0	0.0	0.0	0.0	4.1	0.0	0.0	0.0	0.0
Profit before tax	170.0	(64.8)	190.8	0.0	0.0	400.2	(22.0)	740.5	124.9	865.4
Current tax	5.8	0.0	(1.2)	0.0	0.0	0.0	0.0	4.6	0.0	4.6
Deferred tax	(48.9)	0.0	0.0	0.0	0.0	48.9	0.0	0.0	0.0	0.0
Total tax	(43.1)	(64.8)	393.8	0.0	0.0	458.6	(22.0)	4.6	0.0	4.6
Profit for the year	126.9	(129.6)	584.6	0.0	0.0	858.8	(44.0)	745.1	124.9	870.0

Appendix B: net debt reconciliation

Balance at start of year
Cash flows from operating activities
Cash flows from investing activities
Cash flows from financing activities:
- Cash receipts - borrowings and derivatives
- Cash payments - borrowings and derivatives
- Interest paid
- Dividends paid
- ESOPs – purchase of shares
Total cash flows from financing activities
Cash movements
Uplift on index-linked debt
Changes in fair value
Foreign exchange
Other non-cash (details will be required)
Other adjustments (details will be required)
Reclassifications (details will be required)
Non-cash movements
Balance at end of year

Cash and cash equivalents
2024 £m
327.9
870.0
(680.7)
1,610.0
(248.5)
(175.6)
(320.0)
(3.8)
862.1
1,051.4
0.0
0.0
0.0
0.0
0.0
0.0
0.0
1,379.3

Bonds	Bank and other term borrowings	Lease liabilities	Derivatives in FVHs	Derivatives at FVTPL	Total liabilities from financing activities	Net debt
2024 £m	2024 £m	2024 £m	2024 £m	2024 £m	2024 £m	2024 £m
(6,378.9)	(1,985.9)	(58.3)	(455.1)	349.8	(8,528.4)	(8,200.5)
0.0	0.0	0.0	0.0	0.0	0.0	870.0
0.0	0.0	0.0	0.0	0.0	0.0	(680.7)
(1,492.0)	(103.8)	0.0	(14.2)	0.0	(1,610.0)	0.0
111.4	129.9	1.5	5.7	0.0	248.5	0.0
0.0	0.0	0.0	0.0	0.0	0.0	(175.6)
0.0	0.0	0.0	0.0	0.0	0.0	(320.0)
0.0	0.0	0.0	0.0	0.0	0.0	(3.8)
(1,380.6)	26.1	1.5	(8.5)	0.0	(1,361.5)	(499.4)
(1,380.6)	26.1	1.5	(8.5)	0.0	(1,361.5)	(310.1)
(178.2)	(47.7)	0.0	0.0	0.0	(225.9)	(225.9)
(11.2)	3.3	0.0	8.2	(54.7)	(54.4)	(54.4)
26.6	8.6	0.0	0.0	0.0	35.2	35.2
(4.3)	0.0	(3.8)	0.0	0.0	(8.1)	(8.1)
0.0	0.0	1.1	0.0	0.0	1.1	1.1
0.0	0.0	0.0	0.0	0.0	0.0	0.0
(167.1)	(35.8)	(2.7)	8.2	(54.7)	(252.1)	(252.1)
(7,926.6)	(1,995.6)	(59.5)	(455.4)	295.1	(10,142.0)	(8,762.7)

Appendix C: reconciliation of working capital changes to balance sheet

IFRS Accounting Standards do not include requirements for a company to explain the relationship between the composition of ‘operating receivables and payables’ in IAS 7 and ‘trade and other receivables’, ‘trade and other payables’ and ‘current and non-current’ assets and liabilities in IAS 1 (IFRS 18).

Example 1: J Sainsbury plc, Annual Report 2023, page 189

Example disclosure: reconciliation of working capital movements in the cash flow statement to the balance sheet

	Inventories £m	Financial assets at fair value through OCI £m	Trade and other receivables £m	Amounts due from Financial Services customers £m	Trade and other payables £m	Amounts due to Financial Services customers and other deposits £m	Provisions £m
At 4 March 2023	1,899	1,009	683	5,392	(4,837)	(5,946)	(272)
At 5 March 2022	1,797	800	748	5,189	(4,570)	(5,259)	(271)
Balance sheet movement	(102)	(209)	65	(203)	267	687	1
Fair value movements	–	2	–	(27)	–	–	–
Hedge adjustments	(3)	–	–	–	(2)	–	–
Interest in working capital	–	–	–	–	9	–	–
Reclassification to other lines in the cash flow statement	–	–	3	–	11	–	–
Financial Services ECL impairments	–	–	–	(76)	–	–	–
Movement in capital accruals	–	–	–	–	(8)	–	–
Other	–	–	–	(1)	3	–	(1)
Movement shown in cash flow statement	(105)	(207)	68	(307)	280	687	–

J Sainsbury plc, Annual Report and Accounts 2023, p189

Working capital movements in the cash flow statement are reconciled to related balance sheet amounts. Any elements that do not have a corresponding impact on operating profit are excluded from the working capital movements in the cash flow statement.



Columnar presentation ensures that all relevant disclosures are presented in a single location.

Example 2: Vertu Motors plc, Annual Report 2024 p139

34. Cash flow from movement in working capital

The following table reconciles the movement in balance sheet headings to the movement in working capital as presented in the consolidated cash flow statement.

2024	Current trade and other receivables (Note 23) £'000	Trade and other payables (Note 25) £'000	Total working capital movement £'000
Trade and other payables (Note 25)		(869,931)	
Contract liabilities (Note 29)		(23,475)	
At 29 February 2024	761,996	(893,406)	
At 28 February 2023	674,380	(784,175)	
Balance sheet movement	(87,616)	109,231	
Acquisitions (Note 17)	4,199	(2,661)	
Deferred consideration (Note 17)	–	(250)	
Disposals	(104)	9	
Movement excluding business combinations	(83,521)	106,329	15,187
Pension related balances			129
Increase in capital creditor			1,049
Increase in interest accrual			61
Derivative financial instruments (Note 27)			282
Movement as shown in Consolidated Cash Flow Statement			16,708

Appendix D: cash flow impact of exceptional and adjusting items

The **example below** demonstrates how the cash impact of exceptional and other adjusting items can be disaggregated:

- by nature; and
- by cash flow classification, clearly showing exceptional cash flows relating to operating, investing and financing activities.

Example disclosure: cash flow statement impacts of unusual or exceptional items

For the year ended 31 December	Note	£m	2023 £m	£m	2022 £m
Cash flows from operating activities					
Cash generated from operations before exceptional items	2.1		556		590
Cash flow relating to operating exceptional items:					
Operating exceptional items	2.2		(77)		(65)
Increase in exceptional payables			9		12
Cash outflow from exceptional items			(68)		(53)
Cash generated from operations			488		537
Defined benefit pension deficit funding			(40)		(137)
Interest received			20		15
Interest paid*			(51)		(56)
Net taxation paid			(32)		(55)
			(103)		(233)
Net cash inflow from operating activities			385		304

ITV plc, Annual Report and Accounts 2023, p161

Cash flow impact of exceptional items is presented on the face of the cash flow statement.

The **example above** shows the impact on the face of the statement of cash flows.

Example disclosure: cash flow statement impacts of adjusting items across all cash flow categories

The table below shows the impact of adjusting items on the Group cash flow statement:

	Cash flows from operating activities		Cash flows from investing activities		Cash flows from financing activities	
	52 weeks 2024 £m	52 weeks 2023 (restated ^(a)) £m	52 weeks 2024 £m	52 weeks 2023 £m	52 weeks 2024 £m	52 weeks 2023 £m
Property transactions ^(b)	-	-	53	335	-	-
Disposal of subsidiaries ^(c)	-	-	15	-	-	-
Restructuring ^(d)	(100)	(68)	-	-	-	-
Disposal of China associate	-	-	9	-	-	-
Customer redress claims settlement in Tesco Bank	-	(4)	-	-	-	-
ATM business rates refund	-	5	-	-	-	-
Disposal of Asia operations	-	(2)	-	-	-	-
Acquisition of property joint venture	-	-	7	(40)	-	-
Special dividend	-	-	-	-	(1)	(1)
Total adjusting items from continuing operations	(100)	(69)	84	295	(1)	(1)
Adjusting items relating to discontinued operations	(1)	(8)	-	-	-	-
Total	(101)	(77)	84	295	(1)	(1)

(a) Comparatives have been restated to present Banking operations as a discontinued operation. Refer to Notes 1 and 7.

(b) Property transactions include £14m proceeds (2023: £43m) relating to the sale of stores in Poland not included in the sale of the corporate business.

(c) On 30 June 2023, the Group disposed of its Booker subsidiary Ritter-Courivaud Limited, part of the UK & ROI segment.

(d) Cash outflows relating to operational restructuring changes as part of the multi-year 'Save to Invest' programme, which commenced in June 2022.

Tesco PLC, Annual Report and Accounts 2024, p147

Appendix E: non-cash transactions with same economic impact as cashflows

An example of how **non-cash transactions** might be disclosed in **one note** to make information more accessible to users is set out below. This would include **factoring of trade receivables**, property, plant, and equipment (PPE) acquired by means of a lease, share-based payments, debt to equity conversions, etc.

Not shown below, each line would be **cross-referenced to the note(s)** where further information regarding the transaction(s) could be found.

NON-CASH TRANSACTIONS WITH SIMILAR ECONOMIC IMPACT AS CASH FLOWS ****					
Type of non-cash transaction	Operating activities	Operating activities	Investing activities	Investing activities	Financing activities
	2024	2023	2024	2023	2024
	£m	£m	£m	£m	£m
Collection and onward transmission from factored receivables (non-recourse arrangements)	0.0	0.0	0.0	0.0	0.0
Reverse factoring of trade payables	0.0	0.0	0.0	0.0	0.0
Non-cash consideration received from (paid to) customers	0.0	0.0	0.0	0.0	0.0
Asset contributions from customers at nil cost	0.0	0.0	0.0	0.0	0.0
Equity-settled share-based payment charges	0.0	0.0	0.0	0.0	0.0
Withholding taxes and fees deducted at source	0.0	0.0	0.0	0.0	0.0
Government grants, R&D credits, etc	0.0	0.0	0.0	0.0	0.0
Acquisition of property, plant and equipment by means of a lease	0.0	0.0	0.0	0.0	0.0
Acquisition of subsidiary by issue of ordinary shares	0.0	0.0	0.0	0.0	0.0
Capitalisation of costs (e.g. borrowing costs and staff costs)	0.0	0.0	0.0	0.0	0.0
Non-cash exchanges of assets	0.0	0.0	0.0	0.0	0.0
Debt-to-equity conversions	0.0	0.0	0.0	0.0	0.0
Interest expense on discounted debt, commercial paper, zero coupon bonds, etc	0.0	0.0	0.0	0.0	0.0
Impact of derivative financial instruments	0.0	0.0	0.0	0.0	0.0
Stock options paid to employees	0.0	0.0	0.0	0.0	0.0
Other (with details)	0.0	0.0	0.0	0.0	0.0
Total non-cash transactions with similar economic impact as cash flows	0.0	0.0	0.0	0.0	0.0

**** The impact on the cash flows in the current year would need to be transparent to ensure no double-counting e.g. lease payments made in the reporting year that a new lease is entered into

Appendix F: Possible improvements – Leases

Example 1: Vertu Motors plc, Annual Report 2024, page 124

19. Leases

Amounts recognised in the Balance Sheet

The balance sheet shows the following amounts relating to leases:

	2024 £'000	2023 £'000
Right-of-use assets		
Property	62,757	66,767
Vehicles	10,129	6,311
	72,886	73,078
Lease liabilities		
Current	(17,710)	(14,498)
Non-current	(65,214)	(68,959)
	(82,924)	(83,457)

Additions to the right-of-use assets and lease liabilities during the year ended 29 February 2024 were £20,586,000 (2023: £13,307,000).

During the year ended 29 February 2024, right-of-use assets with a net book value of £2,525,000 (2023: £2,044,000) were disposed of as a result of assignment, settlement or modification of various leases. The corresponding lease liability disposed of was £2,936,000 (2023: £2,493,000) generating a £411,000 profit recognised in the Consolidated Income Statement (2023: £449,000).

Amounts recognised in the Income Statement

The Income Statement shows the following amounts relating to leases:

	2024 £'000	2023 £'000
Included in operating expenses		
Depreciation charge in respect of right-of-use assets:		
Property	11,371	10,970
Vehicles	6,883	5,255
	18,254	16,225
Profit on lease modification	(411)	(449)
Included in finance costs		
Interest expense	3,457	3,488

The total cash outflow in respect of lease payments in the year ended 29 February 2024 was £21,640,000, of which £3,457,000 related to interest on lease liabilities (2023: £19,675,000 including £3,488,000 interest on lease liabilities).

Example 2: 4Imprint plc, Annual Report 2023, page 128

Set out below are the total cash outflows for leases:

	2023 \$m	2022 \$m
Included in cash flows from operating activities		
Expense relating to short-term leases	0.2	0.2
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	0.1	–
Lease interest	0.4	0.4
Included in cash flows from financing activities		
Capital element of lease payments	1.4	1.2
	2.1	1.8

Example 3: United Utilities plc 2024 Annual report p202

The total cash outflow for leases for the year ended 31 March 2024 was £2.9 million (2023: £3.3 million); of this, £1.4 million was payment of interest (2023: £1.5 million) and £1.5 million payment of principal (2023: £1.8 million). Payment of interest forms part of cash flows from operating activities and payment of principal is included within repayment of borrowings, which forms part of cash flows from financing activities in the group's statement of cash flows.

Appendix G: Possible improvements – Capital Expenditure

Example 1:

Example disclosure: reconciliation of capex cash flows to asset additions

Reconciliation of capital expenditure to the cash spend in the consolidated cash flow		
	2023	2022
	USD'000	USD'000
Total capital expenditure	86,618	59,149
Goods and services received in the current period, but yet to be paid	(22,852)	(11,963)
Goods and services received in the previous period, and paid in the current period	11,048	18,222
Total consolidated capital expenditure spends (as per consolidated statement of cash flows)	74,814	65,408

Network International Holdings Plc, Annual Report and Accounts 2023, p132

The difference between in-year capital asset additions and related cash outflows explained as being due to the timing of payments. The impact of prior year payables brought forward and current year payables carried forward is separately identified.

Example disclosure: growth and maintenance capital expenditure

Maintenance capital expenditure relates to spends for additions or improvements that are required to sustain the existing operations of the Group.

Growth capital expenditure relates to spends associated with delivering business growth, including: onboarding of new customers, expansion of services with existing customers or the development of new product offerings.

	2023	2022
	USD'000	USD'000
Total capital expenditure	86,618	59,149
Core capital expenditure	78,159	53,430
of which is maintenance capital expenditure	26,969	19,872
of which is growth capital expenditure	51,190	33,558
Kingdom of Saudi Arabia market entry	8,459	4,778

Network International Holdings Plc, Annual Report and Accounts 2023, p132

Explains the distinction between growth and maintenance capital expenditure. Subsequent table then quantifies relevant amounts.

Example 2: Next Plc Annual Report 2023 p211, 212, 244
Additions of PP&E and Intangible assets arising from acquisitions disclosed in a separate line and cross-referenced to the business combinations note.

Example 3: United Utilities plc 2024 Annual report p204

Reconciliation of fixed asset purchases to fixed asset additions

	2024 £m	2023 £m
Owned property, plant and equipment⁽¹⁾		
Purchase of property, plant and equipment in statement of cash flows	749.5	675.9
Non-cash additions:		
Transfers of assets from customers (see note 18)	61.3	66.2
IAS 23 capitalised borrowing costs (see note 6)	79.7	126.0
Receipt of government grants related to assets (see notes 10 and A6)	(1.9)	–
Transfer of spare parts from inventories	–	(11.3)
Net book value transfers to intangible assets	–	0.6
Timing differences on cash paid ⁽²⁾	3.9	9.5
Property, plant and equipment additions	892.5	866.9

Notes:

⁽¹⁾ This reconciliation relates to property, plant and equipment owned by the group and therefore excludes right-of-use assets recognised in accordance with IFRS 16 'Leases', for which cash flows relating to the associated lease liabilities are included within repayment of borrowings and interest paid in the statement of cash flows.

⁽²⁾ Timing differences arise and reverse when additions are recognised in the statement of financial position in a different period to when cash payments for capital expenditure are made. Capital accruals recognised in relation to these timing differences are included in 'Accruals and other creditors' within trade and other payables (see note 18).

	2024 £m	2023 £m
Intangible assets		
Purchase of intangible assets in statement of cash flows	14.6	18.1
IAS 23 capitalised borrowing costs (see note 6)	1.3	1.5
Net book value transfers from property, plant and equipment	–	(0.6)
Intangible asset additions	15.9	19.0

Appendix H: Possible improvements – M&A activity

There are differing levels of **aggregation and disaggregation** of disclosure requirements across IFRS Accounting Standards—some requirements are in aggregate (for example, exchange differences and translation adjustments) and others are **by ‘class’ or ‘category’ of assets or liabilities (for example, disclosures required for business combinations)**.

The requirements might not enable investors to link the various disclosures to the line items of assets and liabilities and, therefore, to the part of the changes in those assets and liabilities included in the statement of cash flows.

Question: How might disclosure of M&A impacts be improved?

Example 1: Next Plc Annual Report 2024

- **Additions of PP&E and Intangible assets arising from acquisitions** disclosed in a **separate line** and cross-referenced to the business combinations note (p211, 212, 244).
- **Leases** – movement in **right-of-use assets and lease liability arising from acquisitions** disclosed in a **separate line** and cross-referenced to the business combinations note (p213) NO CASH FLOWS DISCLOSED
- **Provisions** – movement in provisions arising from acquisitions disclosed in a separate line and cross-referenced to business combinations note (p228)
- **Net debt** – movement in net debt arising from acquisitions disclosed in a separate column – ideally would be cross-referenced to business combinations note (p242)
- **Acquisitions** (p244, 245) – breakdown of assets/liabilities acquired would ideally be cross-referenced to respective notes. Some companies provide in columnar format, so that total assets/liabs acquired for all acquisitions are totalled and easily cross-referenced to other notes

Appendix I: Possible improvements – Derivatives

Example 1:



Example disclosure: gross derivative cash flows on the face of the statement of cash flows

Cash flows generated from/(used in) investing activities

Proceeds from sale of property, plant and equipment, investment property, intangible assets and assets classified as held for sale		55	342
Purchase of property, plant and equipment, investment property and other long-term assets		(1,108)	(971)
Purchase of intangible assets		(278)	(279)
Disposal of subsidiaries, net of cash disposed		15	–
Acquisition of subsidiaries, net of cash acquired		(17)	(71)
Proceeds from sale of joint ventures and associates		9	–
Increase in loans to joint ventures and associates		(61)	(1)
Investments in joint ventures and associates		(9)	(10)
Net (investments in)/proceeds from sale of short-term investments		(507)	451
Proceeds from sale of other investments		352	230
Purchase of other investments		(390)	(529)
Dividends received from joint ventures and associates		9	14
Interest received		249	70
Cash inflows from derivative financial instruments		5	54
Cash outflows from derivative financial instruments		(24)	(6)

Net cash generated from/(used in) investing activities

(1,700) (706)

Cash flows generated from/(used in) financing activities

Own shares purchased for cancellation	30	(752)	(781)
Own shares purchased for share schemes	28	(93)	(86)
Repayment of capital element of obligations under leases		(627)	(593)
Cash outflows exceeding the incremental increase in assets in a property buyback		(62)	(21)
Increase in borrowings		1,232	–
Repayment of borrowings		(775)	(709)
Cash inflows from derivative financial instruments		98	232
Cash outflows from derivative financial instruments		(102)	(371)
Dividends paid to equity owners	8	(778)	(859)

Net cash generated from/(used in) financing activities

(1,859) (3,188)

Tesco PLC, Annual Report and Accounts 2024, p133

See also Appendix F: Non-cash transactions – this note might also include the non-cash effects of certain derivatives

Gross derivative cash inflows and outflows within investing and financing activities disclosed on the face of the statement of cash flows.

Appendix J: Possible improvements – Share-based payments

Example: Tesco plc Annual report 2024 p189

Note 28 Share-based payments

The table below shows amounts charged to the Group income statement in respect of share-based payments:

	2024 £m	2023 £m
Income statement		
Equity-settled share-based payment charge*	123	101
Cash-settled National Insurance contributions*	5	11
	128	112

* Includes £8m (2023: £2m) in relation to discontinued operations.

The table below shows amounts included in the Group cash flow statement in relation to share-based payments and own shares purchased for share schemes:

	2024 £m	2023 £m
Share-based payment charge included in income statement	(128)	(112)
Share-based payments non-cash movement	78	59
Increase/(decrease) in trade and other payables*	50	53
Included in Group operating cash flows	-	-
Cash paid to purchase own shares including related fees and taxes	(146)	(134)
Cash received from employees exercising SAYE options	53	48
Included in Group financing cash flows	(93)	(86)

* Shares withheld from employees in order to settle their tax liability and National Insurance.

The table below presents the components of share-based payments recognised in the Group statement of changes in equity:

	2024 £m	2023 £m
(Increase)/decrease in own shares held*	184	157
Shares delivered to employees	(184)	(157)
Cash received from employees exercising SAYE options	53	48
Share-based payments charge to the income statement	123	101
Movements in shares withheld to settle employee tax	4	4
Reclassification	15	-
Other movements	-	3
Increase/(decrease) to retained earnings	11	(1)
Included in the Group statement of changes in equity	195	156

* Decrease in own shares held is the gross amount of shares that the employees are entitled to receive.

Appendix K: Possible improvements – Other

Tax payments: Example of tax movement disclosing cash flows

 Example disclosure: reconciliation of tax payments to other primary statements

£ million	2024	2023
At 1 October	(306)	27
Charged to the consolidated income statement	(569)	(813)
Charged to other comprehensive income	(197)	(115)
Credited to equity	4	-
Cash paid	888	590
Exchange movements	17	6
Balance sheet reclassification	-	(1)
At 30 September	(163)	(306)

The cash tax paid in the year is £303 million higher than the current tax charge (2023: £223 million lower). This arises as a result of timing differences between the accrual of income taxes and the actual payment of cash and the movement in the provision for uncertain tax positions

Imperial Brands PLC, Annual Report and Accounts 2024, p164

Reconciliation of opening and closing liability, along with supplementary comments, explains the relationship between the balance sheet liability and other primary statements, including the cash flow statement.

Provisions: Most companies do not **disaggregate the amount utilised in the year** to show amounts **transferred to liabilities or amounts paid**. A typical disclosure example: United Utilities plc 2024 Annual report p201

17 Provisions

Group	Severance £m	Other £m	Total £m
At 1 April 2022	1.2	12.3	13.5
(Credited)/charged to the income statement	(0.3)	0.8	0.5
Utilised in the year	(0.5)	(0.4)	(0.9)
At 31 March 2023	0.4	12.7	13.1
Charged to the income statement	1.5	2.8	4.3
Utilised in the year	(1.4)	(2.5)	(3.9)
At 31 March 2024	0.5	13.0	13.5

The group had no provisions classed as non-current at 31 March 2024 or 31 March 2023.

The severance provision as at 31 March 2024 and 31 March 2023 relates to severance costs as a result of group reorganisation.

Other provisions principally relate to contractual, legal and environmental claims against the group and represent management's best estimate of the value of settlement, the timing of which is dependent on the resolution of the relevant claims.

Company

The company had no provisions at 31 March 2024 or 31 March 2023.