Financial Reporting Update 2025

Year-end reminders for 30 June 2025

pwc

Executive Summary

The Financial Reporting Update 2025 offers critical guidance for entities preparing for the 30 June 2025 reporting season, highlighting key areas that could influence financial reporting and sustainability considerations. ASIC's ongoing focus includes impairment and asset values, provisions, events after year-end, and disclosure practices in financial reports and Operating and Financial Reviews (OFR).

Entities must prepare for the implications of Australia's Global and Domestic Minimum Tax legislation, which necessitates calculating and disclosing Pillar Two tax obligations, as well as comply with the recent IFRS Interpretations Committee agenda decision regarding segment disclosures. Entities should also consider the potential impacts arising from the uncertainties surrounding tariff policies.

Moreover, updates on hyperinflationary economies, amendments to the Corporations Act for consolidated entity disclosures, and changes to AASB standards effective for 30 June 2025 must be closely monitored. The evolving regulatory landscape, driven by Australia's new sustainability standards aligned with global requirements, highlights the necessity for comprehensive reporting and preparation for mandatory disclosures. Stakeholders are encouraged to identify relevant areas of focus within this framework and to consult linked guidance materials for more in-depth insights.

Note: Some of the PwC content available via the links provided below will require a free registration to Viewpoint. Follow this link to register.

What's the issue?	Points to consider and where to go for more help
Focus areas and hot topics	
What are ASIC's areas of focus?	As of the date of publication, ASIC has not yet released its areas of focus for 30 June 2025. Please refer to their release for the December reporting season: ASIC highlights focus areas for 31 December 2024 financial reports. ASIC will continue its focus on previously grandfathered companies and expand its focus on Registrable Superannuation Entities which are now required to lodge financial reports under Chapter 2M of the Corporations Act. ASIC's report on ASIC's Oversight of Financial Reporting and Audit 2023–24 summarises the results of its surveillance activities. Key financial reporting areas of focus highlighted include: • Failure to include material business risk disclosures in the operating and financial review — refer to ASIC's Regulatory Guide 247 Effective disclosure in an operating and financial review • Inadequate impairment of assets and misclassification of assets as current or non-current • Concerns with recognition of revenue and disclosure of accounting policies, including recognition of revenue as an agent versus principal • Compliance with ASIC's Regulatory Guide 230 Disclosing non-IFRS financial information with respect to the use of non-IFRS profit information with respect to the use of non-IFRS profit information • The appropriateness of preparation of parent vs. consolidated accounts and inclusion of comparative information • Focus on the quality of financial reporting of previously grandfathered companies Key ASIC media releases related to accounting and financial reporting matters in the past 12 months include: • Grandfathered company fails to comply with reporting requirements • Australian entity fails to consolidate a foreign subsidiary that it controls in accordance with AASB 10 Consolidated Financial Statements • Reduced-content prospectus blocked by ASIC as a result of failure to comply with AASB 136 Impairment of Assets

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Are you impacted by Pillar Two tax obligations?	In October 2021, over 135 jurisdictions agreed to update the international tax system to ensure that large multinational enterprises pay a minimum level of tax (15%) on the income arising in each of the jurisdictions where they operate — referred to as Pillar Two. The new tax is continuing to be enacted in various jurisdictions around the world with various effective dates. In December 2024, Australia's Pillar Two legislation to implement the Global and Domestic Minimum Tax was passed into law. The IIR (Income Inclusion Rule) and DMT (Domestic Minimum Top-up Tax) applied for fiscal years commencing on or after 1 January 2024. Additionally, the UTPR (Undertaxed Profits Rule) applies for fiscal years commencing on or after 1 January 2025. Entities in the scope of the legislation need to calculate and recognise their Pillar Two tax expenses. While amendments have been made to AASB 112 *Income Taxes* to provide relief from accounting for deferred taxes arising from the OECD's Pillar Two international tax reforms, disclosures are required to enable users to understand actual and expected impacts. See guidance at Global implementation of Pillar Two: Impact on deferred taxes and financial statement disclosures. See also PwC's Pillar Two guidance and tracker as to the status of enactment in countries around the world for more information: Pillar Two Country Tracker.
Are you required to include segment disclosures in your financial statements in accordance with AASB 8, Operating Segments?	In July 2024, an IFRS Interpretations Committee's agenda decision was published which clarifies that an entity is required to disclose certain specified items of profit or loss (as outlined in AASB 8, par. 23) if these are included in the measure of segment profit or loss reviewed by the chief operating decision maker (CODM) even if those items are not specifically reviewed by the CODM. Some of the requirements from par. 23 are very straightforward. However, others, such as the requirement to disclose 'material items of income and expense disclosed in accordance with paragraph 97 of AASB 101' are much more judgemental. This may include disclosure of employee benefit expense and cost of goods sold. Many entities might need to increase the amount of information provided in their segment disclosures. Entities should ensure that any impacts of the Committee's agenda decision are reflected in the segment disclosures for annual period ending 30 June 2025. Refer to our publication on Understanding the impact of the recent July 2024 IFRIC agenda decision on segment reporting.
Are you impacted by tariffs?	The implementation of new tariffs, along with the possibility of reciprocal tariffs, may impact businesses across many industries. Entities might face complex operational and compliance challenges due to the number of items potentially subject to tariffs and ongoing uncertainty surrounding tariff policies. These complexities give rise to a number of financial reporting considerations. Management should collaborate closely with their legal, compliance and operations teams to proactively identify and assess additional risks related to tariffs that could affect operating results, liquidity and financial reporting. Examples of areas that may need to be considered include cost capitalisation, contracts with customers, impairment of non-financial assets, income tax considerations, going concern assessments and disclosure of risks and uncertainties. Refer to the publications below discussing matters relating to tariffs: • Tariffs: the price tag of global trade on financial reporting • What do the 'Liberation Day' tariffs mean for Australian businesses? • What do Trump Tariffs mean for Australian businesses?

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Is your subsidiary's functional currency hyperinflationary?	The IMF World Economic Outlook report released in April 2025 provides updated data in respect of current and projected levels of inflation. The most significant changes in respect of hyperinflationary economies from the updates provided in October 2024 relate to: • Burundi is considered to be hyperinflationary for 30 June 2025 period ends onwards. • Nigeria should be monitored closely but is currently not expected to become hyperinflationary for 30 June 2025 period ends. • Ethiopia is no longer considered to be a hyperinflationary economy for 30 June 2025 period ends onwards. Other hyperinflationary economies where there have been no changes relate to the currencies of Argentina, Ghana, Haiti, Iran, Lao P.D.R Lebanon, Sierra Leone, Malawi, Sierra Leone, South Sudan, Sudan, Suriname, Turkey, and Venezuela. Refer to the publications below for further details: • Hyperinflationary economies as at June 2025 • Sustainability reporting and hyperinflation
Where is it appropriate to offset (or net) items in the primary financial statements?	Offsetting (sometimes referred to as 'netting') is the net presentation of separate assets and liabilities or income and expenses in the financial statements. Similar considerations apply to the reporting of gross or net cash flows in the cash flow statement. Offsetting and netting are generally prohibited, except where expressly required or permitted by accounting standards. This is because it detracts from users' ability to both gain a full and proper understanding of the transactions, other events and conditions that have occurred and to assess an entity's future cash flows. Where offsetting is permitted, there are usually specific criteria that must be met in order to offset. Most cases where the criteria for offsetting are met, offsetting must be applied — it is not a choice. Relevant guidance to be considered includes: • General offsetting, including the income statement within AASB 101 *Presentation of financial statements* • Financial instrument offsetting in AASB 7 *Financial instruments: Disclosures* • Offsetting of current and deferred tax amounts in AASB 112 *Income taxes* • Offsetting in the statement of cash flows in AASB 107 *Statement of cash flows*

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Other regulatory considerations	
Are you a public company? If so, you should ensure that you are aware of the new Corporations Act requirements with respect to the new Consolidated Entity Disclosure Statement.	Australian public companies were required under the *Corporations Act 2001* to include a 'consolidated entity disclosure statement' (CEDS) in their 30 June 2024 annual financial reports, which disclosed information (including place of incorporation and tax residency) about their subsidiaries. In December 2024, amendments were made to the CEDS legislation impacting 30 June 2025 reporters. The two key changes are: • Foreign tax residency is now required to be disclosed for all entities, not only those entities that are not Australian tax residents and • Clarification is provided on how tax residency is determined for trusts and partnerships. Refer to PwC's current guidance document — Disclosure of tax residence of subsidiaries in the financial report for a summary of the requirements and our views on some frequently asked questions.
Developments in standard setting	
What's new in standard-setting that is effective for 30 June 2025 year-ends?	See below amendments worth noting for 30 June 2025 year-ends: • IFRS Interpretations Committee agenda decision Disclosure of Revenues and Expenses for Reportable Segments (IFRS 8 Operating Segments) — See further discussion above. • AASB 101 *Presentation of financial statements* was amended to address the classification of liabilities as current or non-current where conditions must be met and related disclosures for liabilities subject to such conditions. The amendments also change how equity conversion features impact current/non-current presentation. See Amendments to IAS 1: non-current liabilities with covenants for further details. • AASB 16 *Leases* was amended in relation to the accounting for a sale leaseback transaction where the payments are variable. See Lease liability in a sale and leaseback: amendments to IFRS 16 for further details. • AASB 107 *Statement of cash flows* and AASB 7 *Financial instrument: disclosures* were amended to require new disclosures of supplier finance arrangements and the effects on an entity's liabilities, cash flows and exposure to liquidity risk. Comparative information (including opening balances) is not required to be disclosed in the initial year. See It's time to get ready: new IFRS disclosures on supplier finance arrangements for further details.
What's new in standard-setting that is effective for 30 June 2025 interim financial reports (i.e. 31 December 2025 year ends)?	• AASB 121 *The Effects of changes in foreign exchange rates* was amended to address the accounting for a transaction or an operation in a foreign currency that is not exchangeable into another currency. See Filling the gap in currency accounting: new IFRS requirements for lack of exchangeability for further details.

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What are the upcoming amendments and pronouncements available for early adoption?	See below the upcoming amendments and pronouncements that are available for early adoption: • AASB 9 *Financial instruments* and AASB 7 *Financial instruments: disclosures* was amended to: – Confirm the existing requirements for the timing of derecognition of financial assets and liabilities where payments are made via electronic funds transfers (ETF), and introduce a new exception to be considered specifically in relation to the derecognition of some financial liabilities; – Clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion, in particular for instruments with features linked to environment, social and governance (ESG) targets; – Add new disclosures for instruments with contractual terms that can change cash flows (including instruments with features linked to ESG targets); and – Make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI). This amendment applies to annual periods beginning on or after 1 January 2026. See IASB issues targeted improvements to financial instruments standards for further details. • AASB 7 *Financial Instruments: Disclosures* and AASB 9 *Financial Instruments* was amended to: – Clarify the application of the 'own-use' criteria to nature-dependent electricity contracts; – Make it easier to achieve hedge accounting if these contracts are used as hedging instruments; and – Add new disclosure requirements to enable users of financial statements to better understand the effect of these contracts on an entity's financial performance and cash flows. This amendment applies to annual periods beginning on or after 1 January 2027. See PwC's publications for further details: – Accounting for contracts referencing nature-dependent electricity – New 'own use' and hedging guidance for contracts referencing nature-dependent electricity – In depth — Accounting for contracts referencing nature-dependent electricity – In depth — Accounting for renewable power purchase agreements Listen to PwC's webcast on power purchase agreements — amendments to IFRS 7 and IFRS 9. • AASB 18 *Presentation and disclosure in financial statements* (effective for annual periods beginning on or after 1 January 2027) replaces AASB 101 *Presentation of financial statements*, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though AASB 18 will not impact the recognition or measurement of items in the financial statements, its impacts on presentation and disclosure are expected to be pervasive, in particular those related to the statement of financial performance and providing management-defined performance measures within the financial statements. See PwC's In briefs for further information: – IFRS 18 is here: redefining financial performance reporting – IFRS 18 — Key treasury topics for corporate entities – IFRS 18 — Insights for financial services companies

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Are you impacted by any decisions made by the IFRS Interpretations Committee over the last 12 months?	It's important not to forget the matters that are debated by the IFRS Interpretations Committee. If they are relevant to you, their discussions may provide clarity as to how the matter should be considered. For a complete list of all agenda decisions, see: Compilations of agenda decisions. We have highlighted above an agenda decision with respect to segment reporting which may have a more pervasive impact across entities. Other agenda decisions over the past 12 months include the following topics: • Have you committed to reducing emissions? This agenda decision addresses whether an entity's commitment to reduce or offset greenhouse gas emissions creates a constructive obligation such that a provision should be recognised. See Climate-related Commitments. • Have you agreed to make payment to selling shareholders in a business combination that is dependent on continued service? This agenda decision confirms that such payments are post-combination remuneration. See Payments Contingent on Continued Employment during Handover Periods. • Have you issued contractual guarantees on obligations of another entity? This agenda decision explains entities will need to analyse the terms and conditions of the guarantee and accounts for it based on the requirements, including the scoping requirements, in IFRS Accounting Standards and not based on the nature of the entity's business activities. See Guarantees Issued on Obligations of Other Entities. • Have you acquired carbon credits and incurred research and development expenses to develop solutions for emissions reductions? This agenda decision confirms requirements in IAS 38 are sufficient to determine if the research and development activities should be recognised as intangible assets. See Recognition of Intangible Assets Resulting from Climate-related Expenditure (IAS 38).
Sustainability reporting developments and requirements for financial reports at 30 June 2025	
Where can I go if I want to learn more about sustainability reporting developments?	On 20 September 2024, the Australian Accounting Standards Board (AASB) approved the final Australian Sustainability Reporting Standards (ASRSs). These standards are closely aligned with the IFRS Sustainability Disclosure Standards issued by the ISSB, ensuring global consistency and comparability. In response to these developments, refer to our site where PwC have prepared an Sustainability reporting standards and legislation finalised: mandatory sustainability reporting begins that: • Summarises the new Australian sustainability reporting requirements • Highlights the main differences from the exposure draft proposals, and the main differences from IFRS Sustainability Disclosure Standards that remain in the final standards • Details core mandatory requirements and reporting timelines • Shares practical steps for businesses to prepare, stay ahead, and ensure compliance PwC also published its Sustainability Reporting Guide. This guide serves as a comprehensive resource for guidance and insights on sustainability reporting, designed to help companies prepare for mandatory sustainability reporting. We also highlight other relevant releases from local and European regulators: • ASIC has released Regulatory Guide 280, which provides practical guidance for complying with sustainability reporting obligations. • The European Commission published the first 'Omnibus' package intended to simplify sustainability reporting requirements. The package includes proposals relating to the Corporate Sustainability Reporting Directive (CSRD), the EU Taxonomy Regulation, and other related regulations. See European Commission publishes 'Omnibus' proposals for further details.

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What should an entity consider when reflecting climate matters in the financial statements?	In many cases, an entity’s exposure to climate-related risks might not have changed significantly since its last annual reporting period; however, climate-related risks remain an important topic for many investors and so entities should ensure that all material information affecting the financial statements in this respect is provided. Entities should also ensure consistency between financial and non-financial reporting on key climate-related assumptions, if these are relevant for the purposes of estimating and recognising IFRS compliant transactions/balances. If there is commentary in the annual report or a separate sustainability report that hasn’t been reflected in financial reporting (for example, because the entity is relying on a market participant’s assumptions which differ), the entity should consider the need for additional commentary on why such items have been reflected on a different basis in financial reporting. Refer to the publications below for further details: • IASB educational material: the effects of climate-related matters on financial statements prepared applying IFRS accounting standards • Impact of ESG matters on IFRS financial statements • IFRS Financial reporting considerations for entities participating in the voluntary carbon market • ISSB publications: Proportionality mechanisms webcasts and Educational Material on IFRS S1 and IFRS S2 application
How can you track the adoption of sustainability reporting laws for your territory?	To meet the growing demand from investors and stakeholders for improved disclosure, regulators and standard setters in different territories have introduced standards and regulations for sustainability-related disclosures. These efforts aim to enhance sustainability reporting. However, with numerous sustainability regulations emerging over the past decade, there can be overlaps, potential duplications, and various compliance requirements, leading to some uncertainty. PwC have launched the Sustainability Reporting Adoption Tracker which provides an overview of the local regulatory or legal sustainability reporting requirements by individual territory. The information in this tracker will continue to be updated. Check this tracker out to see what regions are impacted by formal regulations.

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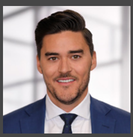

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How we can help

PwC offers a wide range of assurance services designed to instil confidence in what matters most toour clients. Our expertise extends beyond financial statement audits and internal audits, offeringsolutions to address your biggest problems, such as artificial intelligence, sustainability, and businessmodel reinvention.

We use human-led, tech-powered solutions to build and earn trust for our clients, their stakeholders,and their communities. By digitising and disrupting traditional methods of delivering assurance andaudit, we stay ahead of evolving needs.

Our services

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Harness responsible AI to surface broader, deeper, and more accurate data

CFO Advisory

Helping CFOs and finance teams to solve your most important problems

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Maximise opportunities from digitisation while managing risks and unlocking new potential

Internal Audit

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Financial Statement Audit

Building transparency, accountability and trust through high-quality reporting

Risk & Regulation

As digitisation accelerates, trust is key to managing risks and driving innovation

Sustainability Reporting & Assurance

Unlock value, establish trust and credibility with reliable data, transparent and accurate reporting

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