HM Treasury

Financial Reporting Advisory Board Paper

IFRS amendments review

Issue:	Annual IFRS amendments have been reviewed by HM Treasury to conclude whether any relevant public-sector adaptations or interpretations are necessary that should be adequately reflected in the financial reporting guidance.
Impact on guidance:	No changes to the FReM required.
IAS/IFRS adaptation?	No adaptations or interpretations proposed.
Impact on WGA?	None.
IPSAS compliant?	This would depend on whether IPSASB make adjustments for the new IFRS amendments and interpretations discussed in this paper.
Interpretation for the public-sector context?	No adaptations or interpretations proposed.
Impact on budgetary regime and Estimates?	No adaptions or interpretations proposed.
Alignment with National Accounts	No adaptions or interpretations proposed.
Recommendation:	For the Board to note, in particular that HM Treasury proposes to make no adaptations or interpretations in relation to the amendments.
Timing:	There are no suggested amendments or interpretations to bring into effect in relation to the issues covered in this paper. This paper covers amendments since HM Treasury last carried out this review in June 2024.

DETAIL

Amendments or interpretations issued and effective from 1 January 2025

1. Appendix A lists one amendment now effective and formally adopted by the UK Endorsement Board (UKEB).

2. The appendix summarises the amendment and provides further detail on the likely impact it will have across central government. The likely impact will be limited, and HM Treasury does not believe any public-sector adaptations or interpretations are required to adjust for its implementation.

Amendments or interpretations issued but not yet effective

3. Appendix B lists three amendments issued but not yet effective. The UKEB has formally adopted two of the amendments. HM Treasury does not believe any public-sector adaptations or interpretations are required at this stage to adjust for their implementation. For the three amendments published by the IASB but not yet effective, HM Treasury will provide a further update on these as part of the next review of IFRS amendments.

HM Treasury

19th June 2025

Appendix A: Amendments or interpretations issued and effective from 1 January 2025

Standard (amendment/ new)	Effective date – beginning on or after (EU adopted or UK adopted as relevant)	FReM Application?	Summary	Central Government Impact
Lack of Exchangeability Amendments to IAS 21	1 January 2025 (UKEB endorsed)	To be applied	Lack of Exchangeability amends IAS 21 The Effects of Changes in Foreign Exchange Rates to require an entity to apply a consistent approach to assessing whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide.	Minimal – should a central government entity have transactions which fall within the scope of this amendment it shall apply the standard as written and no amendment to the FReM is deemed necessary. No public sector adaptations or interpretations are proposed.

Appendix B: Amendments or interpretations issued but not yet effective

Standard (amendment/ new)	Effective date – beginning on or after (UK Adopted)	FReM Application?	Summary
Amendments to the classification and measurement requirements in IFRS 9 Financial Instruments Amendment to IFRS 9	1 January 2026 (UKEB endorsed)	To be covered in subsequent review	Amendments respond to feedback from the post-implementation review of the standard. Changes include: - clarifying the classification of financial assets with environmental, social and corporate governance (ESG) and similar features and how the contractual cash flows on such loans should be assessed. - clarifying the date on which a financial asset or financial liability is derecognised when settled via electronic cash transfers. - introducing additional disclosure requirements to enhance transparency for investors regarding investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features
Annual improvements to IFRS accounting standards. Amendments to IFRS 1,7,9, 10 and IAS 7.	1 January 2026 (UKEB endorsed)	To be covered in subsequent review	Annual improvements are limited to changes that either clarify the wording in an IFRS Accounting Standard or correct relatively minor unintended consequences or oversights in the Accounting Standards. The Amendments are not likely to lead to a significant change in accounting practice.
Nature-dependent electricity contracts Amendments to IFRS 7 and 9	1 January 2026 (not currently UKEB endorsed)	To be covered in subsequent review	Targeted amendments to help entities better report the financial effects of nature-dependent electricity contracts, which are often structured as power purchase agreements (PPAs). Current accounting requirements may not adequately capture how these contracts affect an entities performance The amendments include: - clarifying the application of the 'own-use' requirements.

Standard (amendment/ new)	Effective date – beginning on or after (UK Adopted)	FReM Application?	Summary
			- permitting hedge accounting if these contracts are used as hedging instruments; and - adding new disclosure requirements to enable investors to understand the effect of these contracts on a company’s financial performance and cash flows.