HM Treasury

Financial Reporting Advisory Board

IFRS Interpretations Committee update

Issue:	A summary of the IFRS Interpretations Committee meetings since the last FRAB Board meeting, noting any particular relevance to the public sector. To note, there have been six full agenda decisions since our last review.
Impact on guidance:	Potential adaptation or interpretation in the FReM dependent on outcomes of any standard-setting adjustments.
IAS/IFRS adaptation?	No adaptations or interpretations proposed but further agenda decisions will be considered as needed.
Impact on WGA?	None.
IPSAS compliant?	This would depend on whether IPSASB adjust for any new IFRS amendments and interpretations. There have been no proposed changes to IFRS following meetings of the Interpretations Committee.
Interpretation for the public-sector context?	No adaptations or interpretations proposed.
Impact on budgetary regime and Estimates?	None.
Alignment with National Accounts	No impact on the National Accounts.
Recommendation:	For the Board to note, HM Treasury is not proposing any adaptations or interpretations in relation to the agenda decisions.
Timing:	Ongoing

DETAIL

Background

1. This paper is provided for information and covers the six agenda decisions issued by the IFRS Interpretations Committee since FRAB last met in March 2026.

2. Relevance to the public sector and any impacts on the FReM have been considered and noted. HM Treasury do not anticipate any specific adaptations or interpretations being required for the public sector because of the decisions of the Interpretations Committee since the Board's last meeting.

3. There have been six full agenda decision for the IASB's consideration published since the last update. These were published on the 22nd April 2026 and are titled: Scope of the Requirement to Disclose Expenses by Nature (IFRS 18), Fair Presentation and Compliance with IFRS Accounting Standards (IAS 1 & IAS 8), Economic Benefits from Use of a Battery under an Offtake Arrangement (IFRS 16), Classification of Gains and Losses on a Derivative Managing a Foreign Currency Exposure (IFRS 18), Classification of a Foreign Exchange Difference from an Intragroup Monetary Liability (IFRS 18), Assessment of a Specified Main Business Activity for the Purposes of the Separate Financial Statements of a Parent (IFRS 18).

4. More detail on the agenda decisions can be found in Annex A.

Recommendation: No action for the public sector proposed at this time.

HM Treasury
18th June 2026

Annex A: Agenda Decisions

Scope of the Requirement to Disclose Expenses by Nature (IFRS 18)

The Committee received a request about the scope of the requirements in paragraph 83 of IFRS 18.

The request asked whether the requirements in paragraph 83 of IFRS 18 apply:

a. only when an entity presents operating expenses listed in paragraph 75(a)(ii) of IFRS 18 by function in the operating category of the statement of profit or loss; or
b. when an entity presents any expense by function in the operating category of the statement of profit or loss, including expenses listed in paragraph 75(b)–(c) of IFRS 18. The request said these expenses might include amounts that have been recognised as part of the carrying amount of an asset, for example, insurance service expense recognised in the statement of profit or loss might include the amortisation of insurance acquisition costs that were previously capitalised as part of insurance contract assets.

Findings:

The Committee observed that paragraph 83 of IFRS 18 contains no exceptions or exclusions. That means, for example, that the reason for classifying an expense by function that is, classifying an expense by function applying an entity’s judgement or because of a requirement in an IFRS Accounting Standard is irrelevant in determining whether an entity is required to apply paragraph 83.

Therefore, the Committee concluded that paragraph 83 of IFRS 18 applies when an entity presents any line item comprising expenses classified by function in the operating category of the statement of profit or loss, including expenses listed in paragraph 75(b)–(c) of IFRS 18 that are classified by function.

Conclusion:

The Committee concluded that the principles and requirements in IFRS 18 provide an adequate basis for an entity to determine the scope of the requirements in paragraph 83 of IFRS 18. Consequently, the Committee decided not to add a standard-setting project to the work plan.

Fair Presentation and Compliance with IFRS Accounting Standards (IAS 1 & IAS 8)

The Committee received a request about the application of the requirements in paragraphs 15–24 of IAS 1 [paragraphs 6A–6J of IAS 8] relating to fair presentation and compliance with IFRS Accounting Standards.

Fact pattern and question:

In the fact pattern described in the request, an entity applying paragraph 19 of IAS 1 [paragraph 6E of IAS 8] departs from a requirement in an IFRS Accounting Standard. The request asked whether the entity is nonetheless required to comply with the requirement for fair presentation in paragraph 15 of IAS 1 [paragraph 6A of IAS 8].

Findings

Evidence gathered by the Committee indicated that the fact pattern described in the request arises infrequently.

Conclusion:

Based on its findings, the Committee concluded that the matter described in the request does not have widespread effect. Consequently, the Committee decided not to add a standard-setting project to the work plan.

Economic Benefits from Use of a Battery under an Offtake Arrangement (IFRS 16)

The Committee received requests about how an entity applies the requirements in paragraph B9(a) of IFRS 16 specifically, how an entity determines whether a customer has the right to obtain substantially all of the economic benefits from use of an identified asset. The requests illustrate the question by describing a fact pattern involving a battery offtake arrangement.

Fact pattern:

In the fact pattern described in the requests, a battery owner and an electricity retailer are registered participants in a gross pool electricity market.

Findings

The Committee observed that, in the fact pattern described in the requests, the economic benefits from use of the battery are derived from its storage capability and capacity. The battery is used to store, and then release, electricity and not to produce electricity. The Committee also observed that the battery offtake arrangement provides the electricity retailer with the economic benefits derived from the battery storage because the electricity retailer has the exclusive right:

a. to use the entire capacity of the battery throughout the period of use (for the duration of the arrangement); and

b. to direct the battery owner as to whether, when and by how much to charge and discharge the battery.

Therefore, applying paragraph B21 of IFRS 16 to the fact pattern, the Committee concluded that the electricity retailer has the right to obtain substantially all of the economic benefits from use of the battery

Conclusion:

The Committee concluded that the principles and requirements in IFRS Accounting Standards provide an adequate basis for an electricity retailer, as the customer in a battery offtake arrangement as described in the requests, to determine whether it has the right to obtain substantially all of the economic benefits from use of the battery. Consequently, the Committee decided not to add a standard-setting project to the work plan.

Classification of Gains and Losses on a Derivative Managing a Foreign Currency Exposure (IFRS 18)

The Committee received a request about how an entity applies the requirements in paragraphs B70–B76 of IFRS 18 to classify gains or losses on a derivative financial instrument in its consolidated statement of profit or loss. The derivative is a forward contract that is used to manage the foreign currency risk of a net liability exposure, but is not designated as a hedging instrument applying IFRS 9 Financial Instruments.

The request asks how the entity, applying IFRS 18, classifies any gain or loss arising from the derivative in its consolidated statement of profit or loss.

Fact pattern:

An entity (Parent P) has three subsidiaries—Subsidiary A, Subsidiary B and Treasury Entity that it consolidates when preparing its consolidated financial statements. Subsidiaries A and B have the same functional currency (LC) and have the following loans denominated in foreign currency (FC):

a. Subsidiary A issued a loan of FC100 to a third party (investing asset); and

b. Subsidiary B obtained a loan of FC120 from a different third party (financing liability).

Therefore, the group has a net liability exposure of FC20.

To manage the foreign currency risk of the group's net liability exposure, Treasury Entity enters into a forward contract with a third party at a notional amount of FC20 to sell local currency and buy foreign currency (external derivative).

Findings

The Committee observed that, the external derivative is used to manage only the net liability foreign currency exposure, which affects a single category of the consolidated statement of profit or loss the financing category. Therefore, classifying gains or losses on the external derivative in the financing category would not require the grossing up of such gains or losses. As a result, the prohibition in paragraph B72 of IFRS 18 would not apply.

Consequently, the Committee concluded that the entity is required to classify any gain or loss on the external derivative in the same category as the income and expenses affected by the risks the derivative is used to manage.

Conclusion:

The Committee concluded that the principles and requirements in IFRS Accounting Standards provide an adequate basis for the classification of gains or losses on a derivative in accordance with an entity's risk management policy that is used to manage an identified risk but is not designated as a hedging instrument applying IFRS 9.

Consequently, the Committee decided not to add a standard-setting project to the work plan.

Classification of a Foreign Exchange Difference from an Intragroup Monetary Liability (IFRS 18)

The Committee received a request about the classification of a foreign exchange difference from an intragroup monetary liability (or asset). Paragraph B65 of IFRS 18 requires an entity to 'classify foreign exchange differences included in the statement of profit or loss applying IAS 21 [The Effects of Changes in Foreign Exchange Rates] in the same category as the income and expenses from the items that gave rise to the foreign exchange differences, unless doing so would involve undue cost or effort (see paragraph B68)'.

The request asked how an entity applying paragraph B65 of IFRS 18 classifies a foreign exchange difference if the income and expenses from the intragroup monetary liability (or asset) that gave rise to the foreign exchange difference have been eliminated on consolidation.

Fact pattern:

In the fact pattern described in the request, an entity enters into a loan with its subsidiary (intragroup loan). The entity and its subsidiary have different functional currencies.

The entity or the subsidiary for which the intragroup loan is a foreign currency monetary item applies IAS 21 to translate the loan to its functional currency and recognises any resulting exchange difference in profit or loss (the exchange difference). In preparing its consolidated financial statements in accordance with IFRS 10 Consolidated Financial Statements, the entity eliminates in full the intragroup assets, liabilities, income, expenses and cash flows relating to the loan. However, in accordance with paragraph 45 of IAS 21, the entity does not eliminate the exchange difference and recognises that exchange difference in its consolidated statement of profit or loss.

Findings:

The committee concluded that a reasonable reading of paragraph B65 of IFRS 18 applied to the fact pattern described in the request results in two possible ways of dealing with these items. View 1 - Classify the exchange difference in the operating category as the default category or View 2 - Classify the exchange difference in the same category in which the income and expenses from the intragroup loan would have been classified before their elimination on consolidation, or, if doing so would involve undue cost or effort, in the operating category.

Conclusion:

In the light of its analysis, the Committee considered whether to add a standard-setting project to the work plan. The Committee concluded that the expected benefits of a standard-setting project to further clarify the classification of the exchange difference in the fact pattern described in the request would not outweigh the costs. Consequently, the Committee decided not to add a standard-setting project to the work plan.

Assessment of a Specified Main Business Activity for the Purposes of the Separate Financial Statements of a Parent (IFRS 18)

The Committee received a request about how a parent applying IFRS 18 assesses, for the purposes of its separate financial statements, whether it has a specified main business activity in the fact pattern described in the request, a main business activity of investing in unconsolidated subsidiaries.

Fact pattern:

In the fact pattern described in the request, the reporting entity is the ultimate parent of a large group of entities. Its only activities are holding investments in subsidiaries, making decisions on the management, acquisition and disposal of those subsidiaries and distributing returns on those investments to shareholders. The parent determines that it is not an investment entity as defined in IFRS 10 Consolidated Financial Statements.

Findings:

In the fact pattern described in the request, the parent has a substantive business activity of holding and managing investments in subsidiaries and distributing returns from those investments. The Committee observed that, for the parent described in the request, the absence of any other substantive activity is sufficient evidence to conclude that investing in unconsolidated subsidiaries is a main business activity for the purposes of the parent's separate financial statements.

Conclusion:

The Committee concluded that the principles and requirements in IFRS 18 provide an adequate basis for the parent described in the request to assess, for the purposes of its separate financial statements, whether it has a specified main business activity specifically, a main business activity of investing in unconsolidated subsidiaries. Consequently, the Committee decided not to add a standard-setting project to the work plan.