

IFRIC *Update* September 2025

IFRIC *Update* is a summary of the decisions reached by the IFRS Interpretations Committee (Committee) in its public meetings. Past *Updates* can be found in the [IFRIC *Update* archive](#).

The [Committee met on 16 September 2025](#) and discussed:

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Committee's tentative agenda decisions

The Committee discussed the following matters and tentatively decided not to add standard-setting projects to the work plan. The Committee will reconsider these tentative decisions, including the reasons for not adding standard-setting projects, at a future meeting. The Committee invites comments on the tentative agenda decisions. Interested parties may submit comments on the [open for comment](#) page. All comments will be on the public record and posted on our website unless a respondent requests confidentiality and we grant that request. We do not normally grant such requests unless they are supported by a good reason, for example, commercial confidence. The Committee will consider all comments received in writing up to and including the closing date; comments received after that date will not be analysed in agenda papers considered by the Committee.

Classification of a Foreign Exchange Difference from an Intragroup Monetary Liability (or Asset) (IFRS 18 *Presentation and Disclosure in Financial Statements*)—Agenda Papers 2–2A

Open for comment until 25 November 2025

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 ...’.

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. This intragroup loan:

- a. is denominated in the functional currency of either the entity or its subsidiary; and
- b. is not part of the entity’s net investment in the subsidiary.

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 applying 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 recognises the exchange difference on the loan in profit or loss.

Views

View I—Classify the exchange difference in the operating category as the default category in accordance with paragraph 52 of IFRS 18

The income and expenses arising from the intragroup loan have been eliminated on consolidation and are not presented in the consolidated statement of profit or loss. Consequently, there is no 'same' category within which the entity can classify the exchange difference in accordance with paragraph B65 of IFRS 18. The entity therefore, by default, classifies the exchange difference in the operating category in accordance with paragraph 52 of IFRS 18.

View II—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

According to paragraph 45 of IAS 21, the exchange difference arose from the intragroup loan before the elimination of that loan—and the elimination of any income and expenses arising from that loan—on consolidation. Therefore, applying paragraph B65 of IFRS 18, the entity classifies the exchange difference using the category in which the income and expenses from the intragroup loan would have been classified before the elimination of those income and expenses. If the entity determines that classifying the exchange difference in this way would involve undue cost or effort, it instead classifies the exchange difference in the operating category.

The request included three other views. Under those views, in its consolidated financial statements the entity:

- a. classifies the exchange difference in the financing category because, for the entity, the transactions in the fact pattern involve only the raising of finance;
- b. classifies the exchange difference in the investing category because, for the entity, the exchange difference arose from the transfer of cash from one currency into another for a period of time; or
- c. develops an accounting policy based on any of the views included in the request because IFRS 18 is not clear about how the exchange difference should be classified.

Applying the requirements in IFRS Accounting Standards

Seven Committee members concluded that View I (as described in this [draft] agenda decision) is the only reasonable reading of paragraph B65 of IFRS 18. The other seven Committee members concluded that both View I and View II (as described in this [draft] agenda decision) are reasonable readings of paragraph B65 of IFRS 18.

The Committee concluded that the three other views included in the request (as described in this [draft] agenda decision) are not reasonable readings of paragraph B65 of IFRS 18.

Conclusion

Notwithstanding the different views of its members, 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 Leases)—Agenda Paper 3

Open for comment until 25 November 2025

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.

The battery owner and the electricity retailer enter into a battery offtake arrangement. Under the terms and conditions of the offtake arrangement, the battery owner retains custody of the battery but is contractually obliged to operate it in accordance with the electricity retailer's instructions, which cover 100% of the capacity of the battery; the battery cannot be substituted. The electricity retailer's instructions specify whether, when and by how much the battery owner charges and discharges the battery. The electricity retailer can instruct the battery owner to charge and discharge the battery throughout the period of use (including multiple times during each day).

In a gross pool electricity market, settlement of electricity transactions requires a single registered participant to transact with the market operator. As the battery owner is the registered participant, transactions occurring under the offtake arrangement are settled as follows:

- a. the electricity retailer pays a fixed amount to the battery owner over the period of the contract for the right to use the battery. This fixed amount reflects the size of the battery and the period of use and is payable regardless of whether the battery is charged or discharged.
- b. the battery owner operates the battery according to the electricity retailer's instructions by buying and selling electricity and settles those transactions with the market operator. In accordance with the gross pool market structure, all transactions with the market operator occur at the spot price. The battery owner pays the resulting cash flows to (or receives the resulting cash flows from) the electricity retailer.
- c. the battery owner and the electricity retailer settle transactions in (a) and (b) periodically, net in cash.

Paragraph 9 of IFRS 16 states that 'a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration'. Applying paragraph B9 of IFRS 16, to assess whether a contract conveys the right to control the use of an identified asset for a period of time, the customer—throughout the period of use—must have *both*:

- a. the right to obtain substantially all of the economic benefits from use of the identified asset;
and
- b. the right to direct the use of that asset.

The fact pattern described in the requests assumes that the electricity retailer has the right to direct the use of the battery (paragraph B9(b) of IFRS 16). The requests ask whether, under the offtake arrangement, the electricity retailer has the right to obtain substantially all of the economic benefits from use of the battery (paragraph B9(a) of IFRS 16).

Applying IFRS 16 to the fact pattern

Does the electricity retailer have the right to obtain substantially all of the economic benefits from use of the battery (paragraph B9(a) of IFRS 16)?

Paragraph B21 of IFRS 16 specifies that ‘a customer can obtain economic benefits from use of an asset directly or indirectly in many ways, such as by using, holding or sub-leasing the asset. The economic benefits from use of an asset include its primary output and by-products (including potential cash flows derived from these items), and other economic benefits from using the asset that could be realised from a commercial transaction with a third party.’

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.

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.

Does the electricity retailer have the right to direct the use of the battery (paragraph B9(b) of IFRS 16)?

The Committee observed that an entity, in determining whether it has the right to direct the use of an identified asset, considers the terms and conditions of the arrangement and all relevant facts and circumstances. Because the fact pattern described in the requests assumes that the electricity retailer has the right to direct the use of the battery, the Committee did not analyse the application of paragraph B9(b) of IFRS 16 to the fact pattern.

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.

Other matters

Business Combinations—Disclosures, Goodwill and Impairment—Agenda Papers 4–4B

The Committee discussed the International Accounting Standards Board (IASB) project on Business Combinations—Disclosures, Goodwill and Impairment. Committee members provided their views on:

- a. aspects of the proposed exemption from disclosing some items of information in some situations—in particular, on:
 - a. making a possible refinement to the scope of the proposed exemption; and
 - b. including examples of situations in which an entity can apply the exemption; and
- b. aspects of the proposal to remove the requirement for an entity to exclude restructuring and asset enhancement cash flows when determining value in use for an asset or cash-generating unit—in particular, on developing an example to illustrate the current potential of a cash-generating unit to be restructured, improved or enhanced.

The IASB will consider input from Committee members and other stakeholders.

Statement of Cash Flows and Related Matters—Agenda Paper 5

The Committee discussed the IASB project on Statement of Cash Flows and Related Matters. Committee members received an update on the project and provided their views on:

- a. the staff's initial analysis of issues related to the classification of cash flows which were identified during outreach with stakeholders; and
- b. specific items for which stakeholder feedback indicated inconsistent application of the classification requirements in IAS 7 *Statement of Cash Flows*.

The IASB will consider input from Committee members and other stakeholders in assessing potential ways to improve the consistent application of requirements to classify cash flows as operating, investing or financing.

Work in Progress—Agenda Paper 6

The Committee received an update on the status of open matters not discussed at its September 2025 meeting.