Staff paper

Agenda reference: 4

IFRS® Interpretations Committee meeting

Date	**November 2026**
Project	**Assessment of Specified Main Business Activities for a Manufacturer-Lessor (IFRS 18)**
Topic	**Comment letters on tentative agenda decision**
Contacts	Rashida Abdryashitova (rabdryashitova@ifrs.org) Jenifer Minke-Girard (jminke-girard@ifrs.org)

This paper has been prepared for discussion at a public meeting of the IFRS Interpretations Committee (Committee). This paper does not represent the views of the International Accounting Standards Board (IASB), the Committee or any individual member of the IASB or the Committee. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS® Accounting Standards. The IASB's technical decisions are made in public and are reported in the IASB® *Update*. The Committee's technical decisions are made in public and are reported in the IFRIC® *Update*.

Introduction

1. At its June 2026 meeting, the IFRS Interpretations Committee (Committee) published a tentative agenda decision that explains how an entity that is a manufacturer-lessor assesses whether, applying IFRS 18 *Presentation and Disclosure in Financial Statements*, the entity's aggregated lease activity, comprising its finance lease and operating lease activities, is a main business activity of providing financing to customers.

2. The objective of this paper is:

   (a) to summarise and analyse comments on the tentative agenda decision; and

   (b) to ask the Committee whether it agrees with our recommendation to finalise the agenda decision.

Structure

3. This paper includes:

   (a) background (paragraphs 4–7);

(b) summary of the comment letters (paragraphs 8–9);

(c) staff analysis (paragraphs 10–40);

(d) staff recommendation and questions for the Committee (paragraphs 41–42);

(e) Appendix A—Suggested wording of the agenda decision; and

(f) Appendix B—Excerpts from the Committee's June 2026 agenda paper.

Background

4. The submission described a fact pattern in which an entity manufactures vehicles and either sells or leases them to customers. The entity:

(a) manages vehicle sales, finance leases and operating leases together in one line of business. The entity's segments are based on geographical regions and not on product lines.

(b) classifies its leases, which do not differ significantly in nature, as either finance or operating leases applying IFRS 16 *Leases*.

(c) enters into a refinancing arrangement with a bank for each lease contract, regardless of whether the lease contract is a finance or an operating lease. The refinancing arrangement bridges the difference between the cash flows the entity receives and those it would have received in a sale. The refinancing arrangements generate interest expenses.

(d) uses, for both internal and external reporting purposes, one subtotal for its aggregated lease activity that is similar to gross profit as an important indicator of operating performance. This gross profit-like subtotal includes income and expenses from finance and operating leases as well as interest expenses on the refinancing arrangements.

5. The Committee considered whether the entity's aggregated lease activity, comprising its finance lease and operating lease activities, is a main business activity of providing financing to customers.

6. In considering the fact pattern, the Committee observed that:

   (a) applying paragraph B34 of IFRS 18, it is likely that the entity's aggregated lease activity, comprising its finance lease and operating lease activities, is a main business activity of providing financing to customers. This assessment is evidenced by the entity's use of one subtotal for its aggregated lease activity (as described in the fact pattern) that is similar to gross profit as an important indicator of operating performance.

   (b) the classification of some of the entity's leases as operating leases does not preclude the entity's aggregated lease activity from being of a type that provides financing to customers.

   (c) paragraph B32 of IFRS 18 does not include an example of an entity that provides financing to customers in operating leases as a type of entity that might provide financing to customers as a main business activity. However, the absence of an entity that provides financing to customers in operating leases from the examples in paragraph B32 is not determinative; those examples are not an exhaustive list.

7. Based on its analysis, the Committee concluded that the principles and requirements in IFRS 18 provide an adequate basis for the entity described in the fact pattern to assess whether its aggregated lease activity is a main business activity of providing financing to customers. Consequently, the Committee decided that a standard-setting project is not needed, and it instead published a tentative agenda decision.

Summary of the comment letters

8. The Committee received 15 comment letters by the comment letter deadline. All comment letters received, including any late comment letters, are available on our website.[1] This agenda paper includes analysis of only the comment letters received by the comment letter deadline.

[1] At the date of posting this agenda paper, there were no late comment letters.

9. Of the 15 respondents:

   (a) thirteen agree with the Committee's conclusion and tentative decision that a standard-setting project is not needed to address the submission. However:

      (i) the Accounting Standards Board of Japan (ASBJ) disagrees with the Committee's analysis and rationale for its conclusion. It disagrees with the Committee's observation that the classification of some of the entity's leases as operating leases does not preclude the entity's aggregated lease activity from being of a type that provides financing to customers.

      (ii) KPMG IFRG Limited (KPMG) says it does not disagree with the outcome of the tentative agenda decision in the fact pattern submitted but recommends not finalising the tentative agenda decision in its current form; KPMG suggests revisions to address aspects that, in its view, lack clarity.

      (iii) a number of these respondents raise concerns and provide comments on aspects of the Committee's analysis and conclusions including on:

         1. whether operating leases provide a form of financing to customers; and

         2. the factors to be considered when assessing whether the aggregated lease activity is a specified main business activity—and whether that activity is investing in assets or providing financing to customers.

   (b) two respondents do not explicitly agree or disagree with the Committee's decision but comment on aspects of the tentative agenda decision similar to those noted in paragraph (a)(iii).

Staff analysis

10. This section analyses respondents' feedback related to:

    (a) operating leases (paragraphs 11–24);

    (b) assessing whether the aggregated lease activity is a specified main business activity (paragraphs 25–32);

    (c) investing in assets (paragraphs 33–38); and

    (d) other comments (paragraphs 39–40).

Operating leases

Background

11. As paragraph 6 notes, in considering the fact pattern, the Committee observed, amongst other things, that:

    (a) the classification of some of the entity's leases as operating leases does not preclude the entity's aggregated lease activity from being of a type that provides financing to customers.

    (b) paragraph B32 of IFRS 18 does not include an example of an entity that provides financing to customers in operating leases as a type of entity that might provide financing to customers as a main business activity. However, the absence of an entity that provides financing to customers in operating leases from the examples in paragraph B32 is not determinative; those examples are not an exhaustive list.

Feedback

12. Some respondents expressed concerns about, or otherwise commented on, the Committee's observations reproduced in paragraph 11 (paragraph 11 observations) and how those observations affect the application of the requirements in IFRS 18 to lessors with operating leases.

13. A few respondents—for example, the Indonesian Financial Accounting Standards Board (of the Institute of Indonesia Chartered Accountants) and Forvis Mazars—explicitly agree with one or both of these observations. Forvis Mazars says it appreciates the Committee's clarification that the examples in paragraph B32 of IFRS 18 are not an exhaustive list and, therefore, 'do not preclude operating lease activities from constituting a specified main business activity of providing financing to customers'.

14. However, the ASBJ disagrees and says 'operating leases and finance leases are economically different transactions under the IFRS 16 accounting model' and, for a lessor in an operating lease, 'neither selling profit or loss, nor finance income is recognised, and thus it would be difficult to conclude that the lessor in the operating lease provides financing to the lessee as its customer'. The ASBJ says it would therefore be inappropriate to combine finance leases and operating leases as a single aggregated lease activity and to conclude that it is likely to be a main business activity of providing financing to customers.

15. A few respondents say operating leases might provide financing to customers (lessees) depending on the facts and circumstances and request clarification in the agenda decision. For example:

    (a) the Canadian Accounting Standards Board (AcSB) says the tentative agenda decision 'might imply that operating leases are, by their nature, a financing activity'—and they suggest clarifying that this is *not* the Committee's conclusion. This respondent suggests explaining why operating leases might, in some circumstances, have an underlying financing element.

    (b) the Saudi Organization for Chartered and Professional Accountants (SOCPA) suggests clarifying that the conclusion is specific to the facts described in the submission and should not be interpreted as meaning that operating lease activities generally constitute providing financing to customers.

16. A few respondents suggest deleting or clarifying the paragraph 11 observations for other reasons. For example:

    (a) BDO suggests deleting the paragraph 11(a) observation. It says the observation is redundant and 'introduces a risk that stakeholders may consider this as evidence that providing operating leases by itself may be a clear indication of an entity having a specified main business activity of providing financing to customers'.

    (b) Deloitte Touche Tohmatsu Limited (Deloitte) says the rationale for the Committee's conclusions needs to be clarified because it 'appears to rely on the fact that the examples in paragraph B32 of IFRS 18 … are not exhaustive' (paragraph 11(b) observation). It says, 'This rationale would not stand, for example, in the case of an entity leasing assets only under operating leases and, therefore, recognising no interest income under IFRS 16…'

17. In contrast, Ian Richmond says the Committee's observations suggest 'it is not the norm for operating lessors to be regarded as providing finance'. The respondent says leases generally, and operating leases specifically, are regarded under IFRS 16 as a form of financing and, therefore, a lessor would be normally regarded as providing financing to its customers—and suggests adding wording to that effect.

18. A few respondents, including the AcSB, provide drafting suggestions to improve the clarity of the paragraph 11 observations.

Staff analysis

19. As with any agenda decision, the Committee's analysis, observations and conclusions set out in the tentative agenda decision—including the paragraph 11 observations—are based on, and specific to, the fact pattern considered by the Committee. The paragraph 11 observations are not intended to comment on other fact patterns (including, for example, on whether an entity in a different fact pattern that enters into operating leases with customers is providing financing to customers and whether that activity is then a specified main business activity). In making the paragraph 11

observations, the tentative agenda decision states (emphasis added), '*In considering the fact pattern*, the Committee observed that...'

20. Our analysis in Agenda Paper 6 for the Committee's June 2026 meeting (June paper)—reproduced in Appendix B to this paper—confirms the IASB's view that 'all leases provide financing'. The question of whether operating leases provide financing is related to, but different from, the question of whether an entity has a *main business activity* of providing financing to customers. Therefore, we continue to agree with the Committee that the fact that the entity in the fact pattern has operating leases as part of its lease activities *does not preclude* that entity from having a main business activity of providing financing to customers (paragraph 11(a) observation). The analysis in the June paper also stated, 'Paragraph B32 of IFRS 18 does not provide an exhaustive list of entities that might provide financing to customers as a main business activity'—and we continue to agree with the Committee that 'the absence of an entity that provides financing to customers in operating leases from the examples in paragraph B32 is not determinative' (paragraph 11(b) observation).

21. Whether a lessor that has operating leases provides financing to customers as a *main business activity* depends on facts and circumstances including consideration of the applicable requirements and the application guidance in IFRS 18.

22. In that regard, we disagree with BDO's comment (see paragraph 16(a) of this paper) that the paragraph 11(a) observation might introduce a risk that stakeholders will consider 'providing operating leases by itself' to be a clear indication of an entity having a specified main business activity of providing financing to customers. In the fact pattern (as stated in the paragraph 11(a) observation), the use of some operating leases *does not preclude* the entity from having an aggregated lease activity of providing financing to customers. That is not the same as saying, as implied by BDO's comment, that the use of some operating leases, by itself, leads to a conclusion that the entity's aggregated lease activity is a main business activity of providing financing to customers. The tentative agenda decision is clear that '[a]n entity applies the requirements in IFRS 18 (including paragraph 49 and the application guidance in

paragraphs B30–B41) in assessing whether an activity is a specified main business activity' (see paragraph A6 in Appendix A to this paper).

23. With respect to the paragraph 11(b) observation, we think wording changes similar to those suggested by the AcSB in its comment letter help to clarify the Committee's message about paragraph B32 of IFRS 18, and we therefore recommend changes as set out in paragraph A7(c) in Appendix A to this paper. We considered other drafting suggestions for the paragraph 11 observations but think they do not significantly clarify or improve the wording of the agenda decision. We therefore suggest retaining the observations as drafted, except as set out in paragraph A7(c).

Conclusion

24. We continue to agree with the paragraph 11 observations. We recommend some changes to the wording of the paragraph 11 observations (see paragraph A7(c) in Appendix A).

Assessing whether the aggregated lease activity is a specified main business activity

Background

25. As paragraph 6(a) of this paper notes, in considering the fact pattern the Committee observed that, applying paragraph B34 of IFRS 18, it is likely that the entity's aggregated lease activity, comprising its finance lease and operating lease activities, is a main business activity of providing financing to customers. This assessment is evidenced by the entity's use of one subtotal for its aggregated lease activity (as

described in the fact pattern) that is similar to gross profit as an important indicator of operating performance.

Feedback

26. Some respondents request clarification in the agenda decision about how to assess whether the aggregated lease activity in the fact pattern is a specified main business activity.

27. Most of these respondents say the tentative agenda decision places too much weight on the subtotal the entity uses for its aggregated lease activity, and they suggest clarifying that the use of one subtotal for its aggregated lease activity is not determinative and the entity should consider other factors. For example:

    (a) the AcSB suggests explaining that management's use of one subtotal for its aggregated lease activity is not determinative and that an entity should consider all relevant facts and circumstances, including 'the entity's business model, how management assesses performance internally and communicates it externally, and the nature of its leases and underlying assets'. Similarly, KPMG suggests revising the agenda decision to explain 'what other factors, including those present in the fact pattern, may be relevant in assessing the entity's specified main business activities, in addition to the subtotal'.

    (b) Deloitte suggests explaining the importance of the 'aggregation' of the lease activity of the entity described. In particular, Deloitte asks what factors are critical to the conclusion—whether it is sufficient for the leasing activity to be 'managed together in one line of business' or 'combined into one subtotal for reporting purposes', or whether both factors are necessary to conclude that the entity has a main business activity of providing financing to customers.

    (c) KPMG and BDO suggest clarifying that the assessment involves judgement. BDO suggests stating that the assessment 'is still a matter of fact and judgement is required as set out in paragraph B33 of IFRS 18', and KPMG

suggests clarifying that 'the conclusion reflects an application of judgement rather than the only outcome'.

Staff analysis

28. We agree with respondents who say an entity's assessment of whether it provides financing to customers as a main business activity is a matter of fact and requires the application of judgement. The agenda decision already states that an entity, in making its assessment, uses its judgement and considers all relevant facts and circumstances (see paragraph A6 in Appendix A).

29. The Committee's observation in the tentative agenda decision that 'it is likely that the entity's aggregated lease activity, comprising its finance lease and operating lease activities, is a main business activity of providing financing to customers…' (see paragraph 6(a) of this paper) does not imply that the entity has a main business activity of providing financing to customers *only* because of its use of the subtotal described in the agenda decision. The Committee's observation says that the *outcome* of the entity having a main business activity of providing financing to customers is 'likely'. This wording—'likely'—uses wording in paragraph B34 of IFRS 18. That paragraph says (emphasis added): '[i]n general, investing in assets or providing financing to customers *is likely to be* a main business activity of an entity if the entity uses a particular type of subtotal as an important indicator of operating performance…'

30. Nonetheless, we think it could be helpful to make some changes to the wording of the agenda decision to clarify that the entity, in making its assessment, considers all relevant facts and circumstances (including the entity's business as described in the fact pattern). Our suggested changes are set out in paragraph A7(a) in Appendix A to this paper.

31. In response to comments (such as those from Deloitte) asking for additional explanation about the importance of the 'aggregation' of the lease activity of the entity in the fact pattern and for an articulation of what specific aspects of the fact

pattern are critical to the conclusion, we note that it is a given fact that the entity in the fact pattern has an aggregated lease activity, and the Committee's analysis and conclusions are based on all facts set out in the fact pattern. We think our suggested changes to the wording of the agenda decision, discussed in paragraph 30 and set out in paragraph A7(a) in Appendix A, clarify that the entity considers all relevant facts and circumstances in making its assessment.

Conclusion

32. We continue to agree with the Committee's analysis and conclusion. We recommend some changes to the wording of the agenda decision (see paragraph A7(a) in Appendix A).

Investing in assets

Background

33. The tentative agenda decision noted, amongst other applicable requirements in IFRS 18, that:

    (a) paragraph B30 states '…[a]n entity may have more than one main business activity…To classify income and expenses into the categories of operating, investing and financing as required by this Standard, an entity need only determine whether either of, or both, investing in assets and providing financing to customers are main business activities'.

    (b) paragraph B33 states that whether investing in assets or providing financing to customers is a main business activity of the entity is a matter of fact and not merely an assertion. It requires an entity to use its judgement to assess whether investing in assets or providing financing to customers is a main business activity and to base that assessment on evidence.

Feedback

34. KPMG says it is unclear why the aggregated lease activity in the fact pattern is a main business activity of providing financing to customers and not investing in assets. It asks why the entity's use of one gross profit-like subtotal for its aggregated lease activity is evidence of a main business activity of providing financing to customers rather than a main business activity of investing in assets or another main business activity.

35. The ASBJ says it is inappropriate for the tentative agenda decision to state that it is likely that the entity's aggregated lease activity is a main business activity of providing financing to customers. The ASBJ includes in its rationale that 'transactions involving operating leases generate income while holding the underlying assets subject to the operating leases' and accordingly, 'operating lease activities may be viewed as investing in particular types of assets' if the underlying assets generate a return individually and largely independently of the entity's other resources (paragraph 53(c) of IFRS 18).

Staff analysis

36. At its June 2026 meeting, the Committee decided not to include in the tentative agenda decision any observations or conclusion about whether the entity in the fact pattern has a main business activity of investing in assets. The Committee observed, as set out in paragraph 25 of this paper, that 'it is likely that the entity's aggregated lease activity, comprising its finance lease and operating lease activities, is a main business activity of providing financing to customers'.

37. We think it is unnecessary for the Committee to further consider whether the entity's aggregated lease activity is a main business activity of investing in assets. The submission did not include enough facts to enable the Committee to assess whether investing in assets is a main business activity for the entity in the fact pattern. Therefore, the Committee scoped the question to address whether the entity's

aggregated lease activity is a main business activity of providing financing to customers—not investing in assets.

Conclusion

38. We recommend no changes in response to the feedback about investing in assets.

Other comments

39. Appendix B of Agenda Paper 9 for this meeting summarises and analyses comments from CPA Australia that apply to all the tentative agenda decisions on IFRS 18 that the Committee decided to publish at its June 2026 meeting. As stated in that paper, we recommend no further action in response to those comments.

40. The following table summarises other comments raised by respondents, together with our analysis of those comments. We recommend no changes to the agenda decision and no further action in respect of these comments.

Respondent's comment	Staff analysis and conclusion
1. Broader concern KPMG says 'the Committee's deliberations and the [tentative agenda decision] itself indicate that there may be a gap in IFRS 18 regarding the meaning of a business activity of providing financing to customers and its interaction with a specified main business activity of investing in assets' because IFRS 18 does not define the business activity of providing financing to customers (or investing in assets) nor does it provide clear boundaries for it. In KPMG's view, this lack of clarity could result in diversity. It says 'for example, entities that are not	*We recommend no further action.* We continue to agree with the Committee that the principles and requirements in IFRS 18 provide an adequate basis for the entity described in the fact pattern to assess whether its aggregated lease activity is a main business activity of providing financing to customers. The Committee's deliberations on this issue do not, to us, indicate a broader concern as suggested by KPMG and ASBJ.

banks may seek to apply the provisions in IFRS 18 that are intended for banks under a far-reaching interpretation of 'providing financing to customers' to avoid mismatched classification of income and expenses in profit or loss'. Similarly, the ASBJ says 'diversity may arise because the scope of 'providing financing to customers' in IFRS 18 is unclear.' KPMG suggests reporting the broader concern to the IASB for further consideration, including standard-setting. The ASBJ suggests the IASB consider 'adding guidance to clarify the scope of providing financing to customers'.	
2. Clarify the boundary of an aggregated activity and the related subtotal TESLA Independent Auditing Inc. suggests clarifying 'how an entity should assess the boundary of an activity represented by a subtotal used as evidence under paragraph B34 [of IFRS 18], particularly when that subtotal combines activities that do not share the same economic characteristics.' It says this clarification is important in the context of the fact pattern discussed and for other fact patterns. Similarly, KPMG says there is a lack of clarity on how the composition of a gross profit-like subtotal affects the assessment of a specified main business activity. It	*We recommend no change.* We continue to agree with the Committee that the principles and requirements in IFRS 18 provide an adequate basis for the entity described in the fact pattern to assess whether it has a main business activity of providing financing to customers. We think considering whether and how differences in the composition of the subtotal affect the Committee's conclusion goes beyond the question considered by the Committee.

says the tentative agenda decision does not explain which features of the subtotal used by the entity support the Committee's conclusions in the tentative agenda decision and whether and how differences in the composition of that subtotal affect the Committee's conclusions.	
3. 'Ringfence' the conclusion to the specific fact pattern described KPMG suggests 'ringfencing' the conclusion to the specific fact pattern in the agenda decision.	*We recommend some changes as discussed in paragraph 30 of this paper.* We think our suggested changes to the wording of the agenda decision in paragraph A7(a) in Appendix A to this paper help to respond to this comment. We recommend no further change.
4. Expand the explanatory material to include other fact patterns Muhammad Sarfraz Arshad suggests expanding the explanatory material in the agenda decision to address other fact patterns and business models that the respondent says are common in the vehicle manufacturing industry.	*We recommend no change.* Analysing other fact patterns would go beyond the scope of the submission.

Staff recommendation

41. Based on our analysis in this paper, we recommend finalising the agenda decision with changes to the wording of the tentative agenda decision as explained in paragraphs 23 and 30 and with other minor edits as marked in Appendix A to this paper. Appendix A sets out the suggested wording of the agenda decision.

42. If the Committee agrees with our recommendation, we will ask the IASB whether it objects to the agenda decision at the first IASB meeting at which it is practicable to present the agenda decision.

Questions for the Committee
1. Does the Committee agree with our recommendation to finalise the agenda decision as explained in paragraph 41 of this paper? 2. Do Committee members have any comments on the suggested wording of the agenda decision in Appendix A to this paper? 3. Do Committee members have additional observations they would like to report to the IASB regarding this matter?

Appendix A—Suggested wording of the agenda decision

This appendix sets out the suggested wording of the agenda decision. Paragraph numbers are included to facilitate referencing but will be removed when the agenda decision is published in IFRIC *Update*. New text is underlined and deleted text is struck through.

Assessment of Specified Main Business Activities for a Manufacturer-Lessor (IFRS 18 *Presentation and Disclosure in Financial Statements*)

A1. The Committee discussed a request about how an entity that is a manufacturer-lessor assesses whether, applying IFRS 18, the entity's aggregated lease activity, comprising its vehicle finance lease and operating lease activities, is a main business activity of providing financing to customers.

Fact pattern

A2. The request describes a fact pattern in which an entity manufactures vehicles and either sells or leases them to customers. The entity:

(a) manages vehicle sales, finance leases and operating leases together in one line of business. The entity's segments are based on geographical regions and not on product lines.

(b) classifies its leases, which do not differ significantly in nature, as either finance or operating leases applying IFRS 16 *Leases*.

(c) enters into a refinancing arrangement with a bank for each lease contract, regardless of whether the lease contract is a finance or an operating lease. The refinancing arrangement bridges the difference between the cash flows the entity receives and those it would have received in a sale. The refinancing arrangements generate interest expenses.

(d) uses, for both internal and external reporting purposes, one subtotal for its aggregated lease activity that is similar to gross profit as an important indicator of operating performance. This gross profit-like subtotal includes income and expenses from finance and operating leases as well as interest expenses on the refinancing arrangements.

Question

A3. The Committee considered whether the entity's aggregated lease activity, comprising its vehicle finance lease and operating lease activities, is a main business activity of

providing financing to customers. The assessment affects, amongst other things, the classification, in the statement of profit or loss, of interest expenses on the refinancing arrangements—particularly those related to lease contracts classified as operating leases.

Applicable requirements

A4. To classify income and expenses in the operating, investing and financing categories, paragraph 49 of IFRS 18 requires an entity to assess whether it has a specified main business activity—that is a main business activity of investing in particular types of assets (investing in assets) or providing financing to customers.

A5. Paragraphs B30–B41 of IFRS 18 include application guidance an entity applies when determining whether it has a specified main business activity. In particular:

(a) paragraph B30 states '…[a]n entity may have more than one main business activity…To classify income and expenses into the categories of operating, investing and financing as required by this Standard, an entity need only determine whether either of, or both, investing in assets and providing financing to customers are main business activities.'

(b) paragraph B33 states that whether investing in assets or providing financing to customers is a main business activity of the entity is a matter of fact and not merely an assertion. It requires an entity to use its judgement to assess whether investing in assets or providing financing to customers is a main business activity and to base that assessment on evidence.

(c) paragraphs B34–B36 discuss factors that might provide evidence of an entity's main business activity. These factors include, for example, whether the entity uses a particular subtotal as an important indicator of operating performance.

Applying the requirements in IFRS 18

A6. An entity applies the requirements in IFRS 18 (including paragraph 49 and the application guidance in paragraphs B30–B41) in assessing whether an activity is a specified main business activity. In making that assessment, an entity uses its judgement and considers all relevant facts and circumstances.

A7. In considering the fact pattern, the Committee observed that:

(a) applying ~~paragraph B34~~ paragraphs B33–B35 of IFRS 18, it is likely that the entity's aggregated lease activity, comprising its vehicle finance lease and operating lease activities, is a main business activity of providing financing to customers. This assessment is evidenced by:

(i) the entity's business as described in the fact pattern—for example, that the entity's vehicle leases do not differ significantly in nature, including the way they are managed and refinanced; and

(ii) the entity's use of one subtotal for its aggregated lease activity (as described in the fact pattern) that is similar to gross profit as an important indicator of operating performance.

(b) the classification of some of the entity's leases as operating leases does not preclude the entity's aggregated lease activity from being of a type that provides financing to customers.

(c) although paragraph B32 of IFRS 18 does not ~~include an example of an entity~~ refer specifically to lessors that provide ~~provides~~ financing to customers in operating leases, this does not preclude such entities from having ~~as a type of entity that might provide financing to customers as~~ a main business activity of providing financing to customers. ~~However, the absence of an entity that provides financing to customers in operating leases from the examples in paragraph~~ Paragraph B32 provides examples of entities that might provide financing to customers as a main business activity but those examples are illustrative; ~~is not determinative; those examples~~ they are not an exhaustive list.

Conclusion

A8. The Committee concluded that the principles and requirements in IFRS 18 provide an adequate basis for the entity described in the fact pattern to assess whether its aggregated lease activity is a main business activity of providing financing to customers. Consequently, the Committee ~~[~~decided~~]~~ that a standard-setting project is not needed to address the request.

Appendix B—Excerpts from the Committee's June 2026 agenda paper

B1. This appendix reproduces paragraphs 25–26 of Agenda Paper 6 for the Committee's June 2026 meeting.

> 25. We think the classification of a lease as an operating lease does not preclude that arrangement from being of a type that provides financing to a customer (lessee). We note:
>
> (a) by definition, a lease—whether an operating lease or a finance lease—provides a lessee with the right to control the use of an identified asset for a period of time in exchange for consideration.[2]
>
> (b) the IASB's rationale for developing the requirements for lessee accounting in IFRS 16—discussed in the Basis for Conclusions on IFRS 16—confirms its views that all leases provide financing. For example:
>
> (i) paragraph BC15 of the Basis for Conclusions on IFRS 16 states '…the IASB decided to adopt a single lessee accounting model in which a lessee would account for all leases as providing finance…'.
>
> (ii) paragraph BC45(a) states that 'some stakeholders, including most users of financial statements, were of the view that all leases provide finance to lessees and thus, create assets and 'debt-like' liabilities'.
>
> (c) in developing IFRS 16, the IASB decided to substantially carry forward the lessor accounting model in IAS 17 *Leases* primarily because it could not justify the cost associated with making changes to the lessor accounting model (see paragraph BC58 of

[2] See paragraph 9 of IFRS 16.

the Basis for Conclusions on IFRS 16) and not because it [viewed] operating leases as not providing financing.

26. We think paragraph B32 of IFRS 18 (reproduced in paragraph 18 of [Agenda Paper 6 for the Committee's June 2026 meeting]) does not preclude a lessor that provides financing to customers in operating leases or a lessor that provides financing to customers in both operating and finance leases from being an entity that provides financing to customers as a main business activity. That paragraph lists examples of some entities that might provide financing to customers as a main business activity—including in paragraph B32(c) 'lessors that provide financing to customers in finance leases'. Paragraph B32 does not provide an exhaustive list of entities that might provide financing to customers as a main business activity.