



IFRS 5 Non-current Assets held for Sale and Discontinued Operations

Objective

The objective of this IFRS is to specify the accounting for assets held for sale, and the presentation and disclosure of discontinued operations. In particular, the IFRS requires assets that meet the criteria to be classified as held for sale to be:

- (a) measured at the lower of carrying amount and fair value less costs to sell, and depreciation on such assets to cease; and
- (b) presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of comprehensive income.

Scope

The classification and presentation requirements of this IFRS apply to all recognised non-current assets and to all disposal groups of an entity. The measurement requirements of this IFRS apply to all recognised non-current assets and disposal groups except for those assets listed below which shall continue to be measured in accordance with the Standard noted.

This Standard does not apply to:

- (a) Deferred tax assets (IAS 12 *Income Taxes*).
- (b) Assets arising from employee benefits (IAS 19 *Employee Benefits*).
- (c) Financial assets within the scope of IAS 39 *Financial Instruments: Recognition and Measurement*.
- (d) Non-current assets that are accounted for in accordance with the fair value model in IAS 40 *Investment Property*.
- (e) Non-current assets that are measured at fair value less costs to sell in accordance with IAS 41 *Agriculture*.
- (f) Contractual rights under insurance contracts as defined in IFRS 4 *Insurance Contracts*.

Effective date

An entity shall apply this IFRS for annual periods beginning on or after 1 January 2005. Earlier application is encouraged.

Annual Improvements to IFRSs 2012–2014 Cycle, issued in September 2014, amended the methods of disposal by adding specific guidance for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued. An entity shall apply those amendments prospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to changes in a method of disposal that occur in annual periods beginning on or after 1 January 2016. Earlier application is permitted.

Defined terms

A *discontinued operation* is a component of an entity that either has been disposed of or is classified as held for sale and:

- (a) represents a separate major line of business or geographical area of operations;
- (b) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- (c) is a subsidiary acquired exclusively with a view to re-sale.

A *disposal group* is a group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

Classification of non-current assets (or disposal groups) as held for sale or as held for distribution to owners

An entity shall classify a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a **sale** transaction rather than through continuing use.

- For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable.
- For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset (or disposal group), and an active programme to locate a buyer and complete the plan must have been initiated. Further, the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value.

Events or circumstances may extend the period to complete the sale beyond one year. An extension of the period required to complete a sale does not preclude an asset (or disposal group) from being classified as held for sale if the delay is caused by events or circumstances beyond the entity's control and there is sufficient evidence that the entity remains committed to its plan to sell the asset (or disposal group).

A non-current asset (or disposal group) is classified as held for distribution to owners when the entity is committed to distribute the asset (or disposal group) to the owners.

- For this to be the case, the assets must be available for immediate distribution in their present condition and the distribution must be highly probable. For the distribution to be highly probable, actions to complete the distribution must have been initiated and should be expected to be completed within one year from the date of classification.
- Actions required to complete the distribution should indicate that it is unlikely that significant changes to the distribution will be made or that the distribution will be withdrawn. The probability of shareholders' approval (if required in the jurisdiction) should be considered as part of the assessment of whether the distribution is highly probable.

Non-current assets that are to be abandoned

An entity shall not classify as held for sale a non-current asset (or disposal group) that is to be abandoned. This is because its carrying amount will be recovered principally through continuing use. However, if the disposal group to be abandoned meets the criteria of a discontinued operation, as defined, the entity shall present the results and cash flows of the disposal group as discontinued operations at the date on which it ceases to be used.

Non-current assets (or disposal groups) to be abandoned include non-current assets (or disposal groups) that are to be used to the end of their economic life and non-current assets (or disposal groups) that are to be closed rather than sold.

An entity shall not account for a non-current asset that has been temporarily taken out of use as if it had been abandoned.

Measurement of a non-current asset (or disposal group) classified as held for sale

An entity shall measure a non-current asset (or disposal group) classified as held for sale at the lower of its carrying amount and fair value less costs to sell.

An entity shall measure a non-current asset (or disposal group) classified as held for distribution to owners at the lower of its carrying amount and fair value less costs to distribute.

Recognition of impairment losses and reversals

- An entity shall recognise an impairment loss for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell, to the extent that it has not been recognised in accordance with IAS 36 *Impairment of Assets*.
- An entity shall recognise a gain for any subsequent increase in fair value less costs to sell of an asset, but not in excess of the cumulative impairment loss that has been recognised either in accordance with this IFRS or previously in accordance with IAS 36 *Impairment of Assets*.
- An entity shall not depreciate (or amortise) a non-current asset while it is classified as held for sale or while it is part of a disposal group classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale shall continue to be recognised.

Changes to a plan of sale or to a plan of distribution to owners

If an entity has classified an asset (or disposal group) as held for sale or as held for distribution to owners, but the criteria for held for sale or held for distribution to owners are no longer met, the entity shall cease to classify the asset (or disposal group) as held for sale or held for distribution to owners (respectively). In such cases an entity shall be guided as follows:

The entity shall measure a non-current asset (or disposal group) that ceases to be classified as held for sale or as held for distribution to owners (or ceases to be included in a disposal group classified as held for sale or as held for distribution to owners) at the lower of:

- its carrying amount before the asset (or disposal group) was classified as held for sale or as held for distribution to owners, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset (or disposal group) not been classified as held for sale or as held for distribution to owners, and
- its recoverable amount at the date of the subsequent decision not to sell or distribute

If an entity reclassifies an asset (or disposal group) directly from being held for sale to being held for distribution to owners, or directly from being held for distribution to owners to being held for sale, then the change in classification is considered a continuation of the original plan of disposal. The entity:

- (a) shall not follow the guidance when classification ceases to account for this change. The entity shall apply the classification, presentation and measurement requirements in this IFRS that are applicable to the new method of disposal.
- (b) shall measure the non-current asset (or disposal group) in terms of the requirement of this Standard and recognise any reduction or increase in the fair value less costs to sell/costs to distribute of the non-current asset (or disposal group).
- (c) shall not change the date of classification. This does not preclude an extension of the period required to complete a sale or a distribution to owners if the conditions are met for a sale beyond one year.

The entity shall include any required adjustment to the carrying amount of a non-current asset that ceases to be classified as held for sale or as held for distribution to owners in profit or loss from continuing operations in the period in which the criteria was met.

Presentation and disclosure

An entity shall present and disclose information that enables users of the financial statements to evaluate the financial effects of discontinued operations and disposals of non-current assets (or disposal groups).

An entity shall disclose the following for Discontinued Operations:

In the Statement of Comprehensive Income

- (a) A single amount comprising the total of:
 - (i) the post-tax profit or loss of discontinued operations; and
 - (ii) the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation.
- (b) An analysis of the single amount in (a) into:
 - (i) the revenue, expenses and pre-tax profit or loss of discontinued operations;
 - (ii) the gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation; and
 - (iii) the related income tax expense.
- (c) The amount of income from continuing operations and from discontinued operations attributable to owners of the parent.

The analysis can be disclosed in the notes to the financial statements. These disclosures are not required for disposal groups that are newly acquired subsidiaries that meet the criteria to be classified as held for sale on acquisition.

In the Statement of Cash Flows:

- (a) The net cash flows attributable to the operating, investing and financing activities of discontinued operations.

These disclosures may be presented either in the notes or in the financial statements. These disclosures are not required for disposal groups that are newly acquired subsidiaries that meet the criteria to be classified as held for sale on acquisition.

If an entity ceases to classify a component of an entity as held for sale, the results of operations of the component previously presented in discontinued operations shall be reclassified and included in income from

continuing operations for all periods presented. The amounts for prior periods shall be described as having been re-presented.

An entity shall disclose for Continuing Operations:

In the Statement of Comprehensive Income:

- (a) Any gain or loss on the re-measurement of a non-current asset (or disposal group) classified as held for sale that does not meet the definition of a discontinued operation in profit or loss from continuing operations.

An entity shall disclose the following for a non-current asset or disposal group and related liabilities classified as held for sale:

In the Statement of Financial Position:

- (a) An entity shall present a non-current asset classified as held for sale and the assets of a disposal group classified as held for sale separately from other assets in the statement of financial position.
- (b) The liabilities of a disposal group classified as held for sale shall be presented separately from other liabilities in the statement of financial position.
- (c) Those assets and liabilities shall not be offset and presented as a single amount.

In the Statement of Comprehensive Income:

- (a) An entity shall present separately any cumulative income or expense recognised in other comprehensive income relating to a non-current asset (or disposal group) classified as held for sale.

If the disposal group is a newly acquired subsidiary that meets the criteria to be classified as held for sale on acquisition, disclosure of the major classes of assets and liabilities is not required.

An entity shall not reclassify or re-present amounts presented for non-current assets or for the assets and liabilities of disposal groups classified as held for sale in the statements of financial position for prior periods to reflect the classification in the statement of financial position for the latest period presented.

In the Notes to the financial statement:

- (a) An entity shall disclose the following information for which a non-current asset (or disposal group) has been either classified as held for sale or sold:
 - (i) a description of the non-current asset (or disposal group);
 - (ii) a description of the facts and circumstances of the sale, or leading to the expected disposal, and the expected manner and timing of that disposal;
 - (iii) the gain or loss recognised and, if not separately presented in the statement of comprehensive income, the caption in the statement of comprehensive income that includes that gain or loss;
 - (iv) if applicable, the reportable segment in which the non-current asset (or disposal group) is presented in accordance with IFRS 8 *Operating Segments*; and
 - (v) if applicable, in the period of the decision to change the plan to sell the non-current asset (or disposal group), a description of the facts and circumstances leading to the decision and the effect of the decision on the results of operations for the period and any prior periods presented.