IFRS 5

Non-current Assets Held for Sale and Discontinued Operations

In April 2001 the International Accounting Standards Board (Board) adopted IAS 35 *Discontinuing Operations*, which had originally been issued by the International Accounting Standards Committee in June 1998.

In March 2004 the Board issued IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* to replace IAS 35.

Other Standards have made minor consequential amendments to IFRS 5. They include *Improvement to IFRSs* (issued April 2009), IFRS 11 *Joint Arrangements* (issued May 2011), IFRS 13 *Fair Value Measurement* (issued May 2011), *Presentation of Items of Other Comprehensive Income* (Amendments to IAS 1) (issued June 2011), IFRS 9 *Financial Instruments* (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39) (issued November 2013), IFRS 9 *Financial Instruments* (issued July 2014), *Annual Improvements to IFRSs 2012–2014 Cycle* (issued September 2014), IFRS 16 *Leases* (issued January 2016), IFRS 17 *Insurance Contracts* (issued May 2017) and *Amendments to References to the Conceptual Framework in IFRS Standards* (issued March 2018).

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FOR THE ACCOMPANYING GUIDANCE LISTED BELOW, SEE PART B OF THIS EDITION

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BASIS FOR CONCLUSIONS

DISSENTING OPINIONS

International Financial Reporting Standard 5 *Non-current Assets Held for Sale and Discontinued Operations* (IFRS 5) is set out in paragraphs 1–45 and Appendices A–C. All the paragraphs have equal authority. Paragraphs in **bold type** state the main principles. Terms defined in Appendix A are in *italics* the first time they appear in the Standard. Definitions of other terms are given in the Glossary for International Financial Reporting Standards. IFRS 5 should be read in the context of its objective and the Basis for Conclusions, the *Preface to IFRS Standards* and the *Conceptual Framework for Financial Reporting*. IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies in the absence of explicit guidance. **[Refer: IAS 8 paragraphs 10–12]**

International Financial Reporting Standard 5 *Non-current Assets Held for Sale and Discontinued Operations*

Objective

1 The objective of this IFRS is to specify the accounting for **[Refer: paragraphs 15–29 and 43]** assets held for sale, **[Refer: paragraphs 6–14]** and the presentation and disclosure **[Refer: paragraphs 30–42]** of *discontinued operations*. In particular, the IFRS requires:

(a) assets that meet the criteria to be classified as held for sale to be **[Refer: paragraphs 6–14]** measured at the lower of carrying amount and *fair value* less *costs to sell*, and depreciation on such assets to cease; and

(b) assets that meet the criteria to be classified as held for sale to be 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[E1]

E1 [IFRIC® *Update*, January 2016, Agenda Decision, 'IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*—Other various IFRS 5-related issues'

The Interpretations Committee has received and discussed a number of issues relating to the application of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* requirements at several meetings. Those issues relate to various aspects of IFRS 5 and include the following:

Scope

a. the scope of the held-for-sale classification—paragraph 6 of IFRS 5 requires a non-current asset (or disposal group) to be classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The issue relates to whether particular types of planned loss of control events, besides loss of control through sale or distribution, can result in a held-for-sale classification, such as loss of control of a subsidiary due to dilution of the shares held by the entity, call options held by a non-controlling shareholder or a modification of a shareholders' agreement.

b. accounting for a disposal group consisting mainly of financial instruments—paragraph 5 of IFRS 5 states that the measurement requirements of IFRS 5 do not apply to financial assets within the scope of IFRS 9 *Financial Instruments*. The issue relates to whether IFRS 5 applies to a disposal group that consists mainly, or entirely, of financial instruments.

...

Because of the number and variety of unresolved issues, the Interpretations Committee concluded that a broad-scope project on IFRS 5 might be warranted. In this respect, the Interpretations Committee noted that IFRS 5 was described as a possible research project in the Request for Views on the 2015 *Agenda Consultation* published by the IASB in August 2015. Consequently, the Interpretations Committee decided not to add these issues to its agenda.]

2 The classification and presentation requirements of this IFRS apply to all recognised *non-current assets*[1] **[Refer: Basis for Conclusions paragraph BC11]** and to all *disposal groups* of an entity. **[Refer: Basis for Conclusions paragraph BC12]** The measurement requirements of this IFRS apply to all recognised non-current assets and disposal groups (as set out in paragraph 4), except for those assets listed in paragraph 5 which shall continue to be measured in accordance with the Standard noted.

3 Assets classified as non-current **[Refer: IAS 1 paragraphs 66–68]** in accordance with IAS 1 *Presentation of Financial Statements* shall not be reclassified as *current assets* until they meet the criteria to be classified as held for sale **[Refer: paragraphs 6–14]** in accordance with this IFRS. **[Refer: Basis for Conclusions paragraph BC10]** Assets of a class that an entity would normally regard as non-current that are acquired exclusively with a view to resale shall not be classified as current unless they meet the criteria to be classified as held for sale in accordance with this IFRS.

4 Sometimes an entity disposes of a group of assets, possibly with some directly associated liabilities, together in a single transaction. Such a disposal group may be a group of *cash-generating units*, a single cash-generating unit, or part of a cash-generating unit.[2] The group may include any assets and any liabilities of the entity, including current assets, current liabilities **[Refer: IAS 1 paragraphs 69–76]** and assets excluded by paragraph 5 from the measurement requirements **[Refer: paragraphs 15–29]** of this IFRS. If a non-current asset within the scope of the measurement requirements of this IFRS is part of a disposal group, the measurement requirements of this IFRS apply to the group as a whole, so that the group is measured at the lower of its carrying amount and fair value less costs to sell. The requirements for measuring the individual assets and liabilities within the disposal group are set out in paragraphs 18, 19 and 23.

5 The measurement provisions **[Refer: paragraphs 15–29]** of this IFRS[3] do not apply to the following assets, which are covered by the IFRSs listed, either as individual assets or as part of a disposal group: **[Refer: Basis for Conclusions paragraphs BC13 and BC48]**

(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 IFRS 9 *Financial Instruments*. **[Refer: IFRS 9 paragraphs 2.1–2.7 and B2.1–B2.6]**

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1 For assets classified according to a liquidity presentation, non-current assets are assets that include amounts expected to be recovered more than twelve months after the reporting period. Paragraph 3 applies to the classification of such assets.

2 However, once the cash flows from an asset or group of assets are expected to arise principally from sale rather than continuing use, they become less dependent on cash flows arising from other assets, and a disposal group that was part of a cash-generating unit becomes a separate cash-generating unit.

3 Other than paragraphs 18 and 19, which require the assets in question to be measured in accordance with other applicable IFRSs.

(d) non-current assets that are accounted for in accordance with the fair value model in **[Refer: IAS 40 paragraphs 33–55]** IAS 40 *Investment Property*.

(e) non-current assets that are measured at fair value **[Refer: IAS 41 paragraph 8 (definition of fair value)]** less costs to sell **[Refer: IAS 41 paragraph 5 (definition of costs to sell)]** in accordance with IAS 41 *Agriculture*.

(f) groups of contracts within the scope of IFRS 17 *Insurance Contracts*.

5A The classification, presentation and measurement requirements in this IFRS applicable to a non-current asset (or disposal group) that is classified as held for sale apply also to a non-current asset (or disposal group) that is classified as held for distribution to owners acting in their capacity as owners (held for distribution to owners).

[Refer: IFRIC 17 Basis for Conclusions paragraphs BC59–BC65]

5B This IFRS specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. Disclosures in other IFRSs do not apply to such assets (or disposal groups) unless those IFRSs require:

(a) specific disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations; or

(b) disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of IFRS 5 and such disclosures are not already provided in the other notes to the financial statements.

Additional disclosures about non-current assets (or disposal groups) classified as held for sale or discontinued operations may be necessary to comply with the general requirements of IAS 1, in particular paragraphs 15 and 125 of that Standard.

[Refer:

paragraph 44E

Basis for Conclusions paragraphs BC14A–BC14E]

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

6 **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.**

[Refer: Basis for Conclusions paragraphs BC15–BC23]

7 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*.

8 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. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification, except as permitted by paragraph 9, and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. The probability of shareholders' approval (if required in the jurisdiction) should be considered as part of the assessment of whether the sale is highly probable.[E2]

E2 [IFRIC® *Update*, September 2013, Agenda Decision, 'IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*—Classification in conjunction with a planned IPO, but where the prospectus has not been approved by the securities regulator'

The Interpretations Committee received a request to clarify the application of the guidance in IFRS 5 regarding the classification of a non-current asset (or disposal group) as held for sale, in the case of a disposal plan that is intended to be achieved by means of an initial public offering (IPO), but where the prospectus (ie the legal document with an initial offer) has not yet been approved by the securities regulator.

The submitter asked the Interpretations Committee to clarify whether the disposal group would qualify as held for sale before the prospectus is approved by the securities regulator, assuming that all of the other criteria in IFRS 5 have been fulfilled.

The Interpretations Committee noted that paragraph 7 of IFRS 5 requires that 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*.

The Interpretations Committee also noted that an entity should apply the guidance in paragraphs 8–9 of IFRS 5 to assess whether the sale of a disposal group by means of an IPO is *highly probable*. Terms that are "usual and customary" is a matter of judgement based on the facts and circumstance of each sale.

The Interpretations Committee observed that the following criteria in paragraph 8 of IFRS 5 represent events that must have occurred:

a. the appropriate level of management must be committed to a plan to sell the asset (or disposal group);

b. an active programme to locate a buyer and complete the plan must have been initiated; and

c. the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value.

The Interpretations Committee noted that the following criteria would be assessed based on expectations of the future, and their probability of occurrence would be included in the assessment of whether a sale is highly probable:

a. the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification (except as permitted by paragraph 9);

b. actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn; and

c. the probability of shareholders' approval (if required in the jurisdiction) should be considered as part of the assessment of whether the sale is highly probable.

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On the basis of the analysis above, the Interpretations Committee determined that, in the light of the existing IFRS requirements, sufficient guidance exists and that neither an Interpretation nor an amendment to a Standard was necessary. The Interpretations Committee consequently decided not to add this issue to its agenda.]

8A An entity that is committed to a sale plan involving loss of control of a subsidiary shall classify all the assets and liabilities of that subsidiary as held for sale when the criteria set out in paragraphs 6–8 are met, regardless of whether the entity will retain a non-controlling interest in its former subsidiary after the sale.

[Refer: Basis for Conclusions paragraphs BC24A–BC24E]

9 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). This will be the case when the criteria in Appendix B are met.

10 Sale transactions include exchanges of non-current assets for other non-current assets when the exchange has commercial substance **[Refer: IAS 16 paragraph 25]** in accordance with IAS 16 *Property, Plant and Equipment*.

[Refer: Basis for Conclusions paragraph BC26]

11 When an entity acquires a non-current asset (or disposal group) exclusively with a view to its subsequent disposal, it shall classify the non-current asset (or disposal group) as held for sale at the acquisition date only if the one-year requirement in paragraph 8 is met (except as permitted by paragraph 9) and it is highly probable that any other criteria in paragraphs 7 and 8 that are not met at that date will be met within a short period following the acquisition (usually within three months).

[Refer: Basis for Conclusions paragraph BC10]

12 If the criteria in paragraphs 7 and 8 are met after the reporting period, an entity shall not classify a non-current asset (or disposal group) as held for sale in those financial statements when issued. **[Refer: Basis for Conclusions paragraph BC66]** However, when those criteria are met after the reporting period but before the authorisation of the financial statements for issue, **[Refer: IAS 10 paragraphs 4–6]** the entity shall disclose the information specified in paragraph 41(a), (b) and (d) in the notes.

12A 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.

[Refer: IFRIC 17 Basis for Conclusions paragraphs BC59–BC65]

Non-current assets that are to be abandoned

[Refer: Basis for Conclusions paragraphs BC23 and BC24]

13 An entity shall not classify as held for sale **[Refer: paragraphs 6–12]** 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 in paragraph 32(a)–(c), the entity shall present the results and cash flows of the disposal group as discontinued operations in accordance with paragraphs 33 and 34 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.

14 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 non-current assets (or disposal groups) classified as held for sale

Measurement of a non-current asset (or disposal group)

15 **An entity shall measure a non-current asset (or disposal group) classified as held for sale [Refer: paragraphs 6–14] at the lower of its carrying amount and fair value less costs to sell.**

[Refer: Basis for Conclusions paragraphs BC28–BC36]

15A **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.**[4]

[Refer: IFRIC 17 Basis for Conclusions paragraphs BC59–BC65]

16 If a newly acquired asset (or disposal group) meets the criteria to be classified as held for sale **[Refer: paragraphs 6–14]** (see paragraph 11), applying paragraph 15 will result in the asset (or disposal group) being measured on initial recognition at the lower of its carrying amount had it not been so classified (for example, cost) and fair value less costs to sell. Hence, if the asset (or disposal group) is acquired as part of a business combination, it shall be measured at fair value less costs to sell.

[Refer: Basis for Conclusions paragraphs BC42–BC45]

4 Costs to distribute are the incremental costs directly attributable to the distribution, excluding finance costs and income tax expense.

17 When the sale is expected to occur beyond one year, the entity shall measure the costs to sell at their present value. Any increase in the present value of the costs to sell that arises from the passage of time shall be presented in profit or loss as a financing cost.

18 Immediately before the initial classification of the asset (or disposal group) as held for sale, **[Refer: paragraphs 6–14]** the carrying amounts of the asset (or all the assets and liabilities in the group) shall be measured in accordance with applicable IFRSs.

19 On subsequent remeasurement of a disposal group, the carrying amounts of any assets and liabilities that are not within the scope of the measurement requirements of this IFRS, **[Refer: paragraph 5]** but are included in a disposal group classified as held for sale, **[Refer: paragraphs 6–14]** shall be remeasured in accordance with applicable IFRSs before the fair value less costs to sell of the disposal group is remeasured.

Recognition of impairment losses and reversals

20 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 paragraph 19.

21 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*.
[Refer: Basis for Conclusions paragraph BC46]

22 An entity shall recognise a gain for any subsequent increase in fair value less costs to sell of a disposal group:
[Refer: Basis for Conclusions paragraph BC46]

(a) to the extent that it has not been recognised in accordance with paragraph 19; but

(b) 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, on the non-current assets that are within the scope of the measurement requirements **[Refer: paragraphs 2–5A]** of this IFRS.

23 The impairment loss (or any subsequent gain) recognised for a disposal group shall reduce (or increase) the carrying amount of the non-current assets in the group that are within the scope of the measurement requirements **[Refer: paragraphs 2–5A]** of this IFRS, in the order of allocation set out in paragraphs 104(a) and (b) and 122 of IAS 36 (as revised in 2004).[E3,E4]
[Refer: Basis for Conclusions paragraphs BC39–BC41]

E3 [IFRIC® *Update*, January 2016, Agenda Decision, 'IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*—To what extent can an impairment loss be allocated to non-current assets within a disposal group?'

The Interpretations Committee received a request to clarify a measurement requirement of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Specifically, the question was whether the allocation of an impairment loss recognised for a disposal group can reduce the carrying amount of non-current assets that are within the scope of the measurement requirements of IFRS 5 to an amount that is lower than their fair value less costs of disposal or their value in use. In analysing this issue, the Interpretations Committee considered a situation in which the carrying amount of such non-current assets is not less than the amount of the impairment loss, and did not consider the implications for allocating an impairment loss if that loss exceeds the carrying amount of such non-current assets.

The Interpretations Committee noted that paragraph 23 of IFRS 5 addresses the recognition of impairment losses for a disposal group. It also noted that in determining the order of allocation of impairment losses to non-current assets that are within the scope of the measurement requirements of that Standard, paragraph 23 refers to paragraphs 104 and 122 of IAS 36 *Impairment of Assets*, which set out requirements regarding the order of allocation of impairment losses. However, it does not refer to paragraph 105 of IAS 36, which restricts the impairment losses allocated to individual assets by requiring that an asset is not written down to less than the higher of its fair value less costs of disposal, its value in use and zero. Consequently, the Interpretations Committee observed that the restriction in paragraph 105 of IAS 36 does not apply when allocating an impairment loss for a disposal group to the non-current assets that are within the scope of the measurement requirements of IFRS 5. The Interpretations Committee understood this to mean that the amount of impairment that should be recognised for a disposal group would not be restricted by the fair value less costs of disposal or value in use of those non-current assets that are within the scope of the measurement requirements of IFRS 5.

In the light of existing IFRS requirements, the Interpretations Committee determined that neither an Interpretation nor an amendment to a Standard was necessary. Consequently, the Interpretations Committee decided not to add this issue to its agenda.]

E4 [IFRIC® *Update*, January 2016, Agenda Decision, 'IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*—Other various IFRS 5-related issues'

The Interpretations Committee has received and discussed a number of issues relating to the application of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* requirements at several meetings. Those issues relate to various aspects of IFRS 5 and include the following:

...

Measurement

c. impairment of a disposal group—paragraph 15 of IFRS 5 requires a disposal group to be measured at the lower of its carrying amount and its fair value less costs to sell, whereas paragraph 23 requires the impairment loss recognised for a disposal group to be allocated to the carrying amount of the non-current assets that are within the scope of the measurement requirements of IFRS 5. The issue relates to a situation in which the difference between the carrying amount and the fair value less costs to sell of a disposal group exceeds the carrying amount of non-current assets in the disposal group. Should the amount of the impairment loss recognised be limited to the carrying amount of:

i. non-current assets that are within the scope of the measurement requirements of IFRS 5;

ii. the net assets of a disposal group;

continued...

...continued

iii. the total assets of a disposal group; or

iv. the non-current assets and in this case the entity would recognise a liability for any excess?

d. reversal of an impairment loss relating to goodwill in a disposal group—paragraph 22 of IFRS 5 requires the recognition of a gain for a subsequent increase in the fair value less costs to sell of a disposal group. The issue relates to a situation in which goodwill within the disposal group had previously been impaired. Specifically, the question relates to whether an impairment loss previously allocated to goodwill can be reversed.

...

Because of the number and variety of unresolved issues, the Interpretations Committee concluded that a broad-scope project on IFRS 5 might be warranted. In this respect, the Interpretations Committee noted that IFRS 5 was described as a possible research project in the Request for Views on the 2015 *Agenda Consultation* published by the IASB in August 2015. Consequently, the Interpretations Committee decided not to add these issues to its agenda.]

24 A gain or loss not previously recognised by the date of the sale of a non-current asset (or disposal group) shall be recognised at the date of derecognition. Requirements relating to derecognition are set out in:

(a) paragraphs 67–72 of IAS 16 (as revised in 2003) for property, plant and equipment, and

(b) paragraphs 112–117 of IAS 38 *Intangible Assets* (as revised in 2004) for intangible assets.

25 An entity shall not depreciate (or amortise) a non-current asset while it is classified as held for sale **[Refer: paragraphs 6–14]** or while it is part of a disposal group classified as held for sale. **[Refer: Basis for Conclusions paragraph BC36]** Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale shall continue to be recognised. **[Refer: Basis for Conclusions paragraph BC28]**

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

26 If an entity has classified an asset (or disposal group) as held for sale **[Refer: paragraphs 6–14]** or as held for distribution to owners, **[Refer: paragraph 12A]** but the criteria in paragraphs 7–9 (for held for sale) or in paragraph 12A (for 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 follow the guidance in paragraphs 27–29 to account for this change except when paragraph 26A applies.

[Refer: Basis for Conclusions paragraph BC72K]

26A 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. **[Refer: Basis for Conclusions paragraphs BC72B, BC72F and BC72G]** The entity:

(a) shall not follow the guidance in paragraphs 27–29 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. **[Refer: Basis for Conclusions paragraph BC72H]**

(b) shall measure the non-current asset (or disposal group) by following the requirements in paragraph 15 (if reclassified as held for sale) or 15A (if reclassified as held for distribution to owners) 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) by following the requirements in paragraphs 20–25. **[Refer: Basis for Conclusions paragraph BC72I]**

(c) shall not change the date of classification in accordance with paragraphs 8 and 12A. This does not preclude an extension of the period required to complete a sale or a distribution to owners if the conditions in paragraph 9 are met. **[Refer: Basis for Conclusions paragraph BC72J]**

27 The entity shall measure a non-current asset (or disposal group) that ceases to be classified as held for sale **[Refer: paragraphs 6–14]** or as held for distribution to owners **[Refer: paragraph 12A]** (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:

(a) 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

(b) its *recoverable amount* at the date of the subsequent decision not to sell or distribute.[5]

[Refer: Basis for Conclusions paragraph BC72K]

28 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 **[Refer: paragraphs 6–14]** or as held for distribution to owners **[Refer: paragraph 12A]** in profit or loss[6] from continuing operations in the period in which the criteria in paragraphs 7–9 or 12A, respectively, are no longer met. Financial statements for the periods since classification as held for sale or as held for distribution to owners shall be amended accordingly if the disposal group or non-current asset that ceases to be classified as held for sale or as held for distribution to owners is a subsidiary, joint operation, joint venture, associate, or a portion of an interest in a joint venture or an associate. The entity shall present that adjustment in the same caption in the statement

5 If the non-current asset is part of a cash-generating unit, its recoverable amount is the carrying amount that would have been recognised after the allocation of any impairment loss arising on that cash-generating unit in accordance with IAS 36.

6 Unless the asset is property, plant and equipment or an intangible asset that had been revalued in accordance with IAS 16 or IAS 38 before classification as held for sale, in which case the adjustment shall be treated as a revaluation increase or decrease.

of comprehensive income used to present a gain or loss, if any, recognised in accordance with paragraph 37.

[Refer: Basis for Conclusions paragraph BC72A]

29 If an entity removes an individual asset or liability from a disposal group classified as held for sale, **[Refer: paragraphs 6–14]** the remaining assets and liabilities of the disposal group to be sold shall continue to be measured as a group only if the group meets the criteria in paragraphs 7–9. If an entity removes an individual asset or liability from a disposal group classified as held for distribution to owners, **[Refer: paragraph 12A]** the remaining assets and liabilities of the disposal group to be distributed shall continue to be measured as a group only if the group meets the criteria in paragraph 12A. Otherwise, the remaining non-current assets of the group that individually meet the criteria to be classified as held for sale (or as held for distribution to owners) shall be measured individually at the lower of their carrying amounts and fair values less costs to sell (or costs to distribute) at that date. Any non-current assets that do not meet the criteria for held for sale shall cease to be classified as held for sale in accordance with paragraph 26. Any non-current assets that do not meet the criteria for held for distribution to owners shall cease to be classified as held for distribution to owners in accordance with paragraph 26.

Presentation and disclosure[E5]

E5 [IFRIC® *Update*, January 2016, Agenda Decision, 'IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*—Other various IFRS 5-related issues'

The Interpretations Committee has received and discussed a number of issues relating to the application of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* requirements at several meetings. Those issues relate to various aspects of IFRS 5 and include the following:

...

Presentation

e. how to apply the definition of 'major line of business' in presenting discontinued operations—in accordance with paragraph 32 of IFRS 5, a component of an entity that has been disposed of, or is classified as held for sale, and represents a separate major line of business or geographical area of operations is a discontinued operation. The issue relates to how to interpret the definition of 'discontinued operation', especially with regard to the notion of 'separate major line of business or geographical area of operations' as described in paragraph 32 of IFRS 5.

f. how to apply the presentation requirements in paragraph 28 of IFRS 5—paragraph 28 requires the effects of a remeasurement (upon ceasing to be classified as held for sale) of a non-current asset to be recognised in profit or loss in the current period. Paragraph 28 also requires financial statements for the periods since classification as held for sale or as held for distribution to owners to be 'amended accordingly' if the disposal group or non-current asset that ceases to be classified as held for sale or as held for distribution to owners is a subsidiary, joint operation, joint venture, associate, or a portion of an interest in a joint venture or an associate. The issue relates to a situation in which a disposal group that consists of both a subsidiary and other non-current assets ceases to be classified as held for sale. In such a situation, should an entity recognise the remeasurement adjustments relating to the subsidiary and the other non-current assets in different accounting periods, and should any amendment apply to presentation as well as to measurement?

continued...

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g. how to present intragroup transactions between continuing and discontinued operations —paragraph 30 of IFRS 5 requires an entity to 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). The issue relates to how best to eliminate and reflect transactions between continuing and discontinued operations on the face of the statement of profit or loss, when there are significant transactions between them. Should the intragroup transactions:

   i. be eliminated without any adjustments; or

   ii. be eliminated, with adjustments to illustrate how transactions between continuing or discontinued operations are expected to be affected in the future?

Because of the number and variety of unresolved issues, the Interpretations Committee concluded that a broad-scope project on IFRS 5 might be warranted. In this respect, the Interpretations Committee noted that IFRS 5 was described as a possible research project in the Request for Views on the 2015 *Agenda Consultation* published by the IASB in August 2015. Consequently, the Interpretations Committee decided not to add these issues to its agenda.]

30 **An entity shall present and disclose information that enables users [Refer: *Conceptual Framework* paragraphs 1.2–1.10 and 2.36] of the financial statements to evaluate the financial effects of discontinued operations and disposals of non-current assets (or disposal groups).**[E6]

E6 [IFRIC® *Update*, January 2016, Agenda Decision, 'IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*—How to present intragroup transactions between continuing and discontinued operations'

The Interpretations Committee received a request to clarify how to present intragroup transactions between continuing and discontinued operations.

The submitter points out that paragraph 30 of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* requires an entity to 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). However, IFRS 5 does not provide specific requirements on how to eliminate intragroup transactions between continuing and discontinued operations.

The Interpretations Committee noted that neither IFRS 5 nor IAS 1 *Presentation of Financial Statements* includes requirements regarding the presentation of discontinued operations that override the consolidation requirements in IFRS 10 *Consolidated Financial Statements*. The Interpretations Committee also noted that paragraph B86(c) of IFRS 10 requires elimination of, among other things, income and expenses relating to intragroup transactions, and not merely intragroup profit. Consequently, the Interpretations Committee observed that not eliminating intragroup transactions would be inconsistent with the elimination requirements of IFRS 10.

The Interpretations Committee also noted that paragraph 30 of IFRS 5 requires an entity to present and disclose information that enables users of the financial statements to evaluate the financial effects of discontinued operations and disposal activity. In the light of this objective, the Interpretations Committee observed that, depending on the particular facts and circumstances, an entity may have to provide additional disclosures in order to enable users to evaluate the financial effects of discontinued operations.

The Interpretations Committee noted that IFRS 5 was described as a possible research project in the Request for Views on the 2015 *Agenda Consultation* published by the IASB in August 2015. In the light of this, the Interpretations Committee thought that the issue of how an entity should disaggregate consolidated results between continuing and discontinued

continued...

...continued

operations in a way that reflects elimination of intragroup transactions would be better considered as part of such a project.

Consequently, the Interpretations Committee decided not to add this issue to its agenda.]

Presenting discontinued operations

31 A *component of an entity* comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity. In other words, a component of an entity will have been a cash-generating unit or a group of cash-generating units while being held for use.

32 A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, **[Refer: paragraphs 6–14]** and

(a) represents a separate major line of business or geographical area of operations,

(b) is part of a single co-ordinated 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 resale.

33 An entity shall disclose:
[Refer: Basis for Conclusions paragraphs BC73–BC77A]

(a) a single amount in the statement of comprehensive income 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 related income tax expense as required by paragraph 81(h) of IAS 12.

(iii) 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

(iv) the related income tax expense as required by paragraph 81(h) of IAS 12.

The analysis may be presented in the notes or in the statement of comprehensive income. If it is presented in the statement of comprehensive income it shall be presented in a section identified as relating to discontinued operations, ie separately from continuing operations. The analysis is not required for disposal groups that are newly acquired subsidiaries that meet the criteria to be classified as held for sale **[Refer: paragraphs 6–14]** on acquisition (see paragraph 11). **[Refer: Basis for Conclusions paragraph BC55]**

(c) 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 (see paragraph 11).

(d) the amount of income from continuing operations and from discontinued operations attributable to owners of the parent. These disclosures may be presented either in the notes or in the statement of comprehensive income.

33A If an entity presents the items of profit or loss in a separate statement as described in paragraph 10A of IAS 1 (as amended in 2011), a section identified as relating to discontinued operations is presented in that statement.

34 An entity shall re-present the disclosures in paragraph 33 for prior periods presented in the financial statements so that the disclosures relate to all operations that have been discontinued by the end of the reporting period **[Refer: Basis for Conclusions paragraphs BC65 and BC66]** for the latest period presented.

35 Adjustments in the current period to amounts previously presented in discontinued operations that are directly related to the disposal of a discontinued operation in a prior period shall be classified separately in discontinued operations. The nature and amount of such adjustments shall be disclosed. Examples of circumstances in which these adjustments may arise include the following:

(a) the resolution of uncertainties that arise from the terms of the disposal transaction, such as the resolution of purchase price adjustments and indemnification issues with the purchaser.

(b) the resolution of uncertainties that arise from and are directly related to the operations of the component before its disposal, such as environmental and product warranty obligations retained by the seller.

(c) the settlement of employee benefit plan obligations, provided that the settlement is directly related to the disposal transaction.

36 If an entity ceases to classify a component of an entity as held for sale, **[Refer: paragraphs 6–14]** the results of operations of the component previously presented in discontinued operations in accordance with paragraphs 33–35 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.

36A An entity that is committed to a sale plan involving loss of control of a subsidiary shall disclose the information required in paragraphs 33–36 when the subsidiary is a disposal group that meets the definition of a discontinued operation in accordance with paragraph 32.

[Refer: Basis for Conclusions paragraph BC77A]

Gains or losses relating to continuing operations

37 Any gain or loss on the remeasurement of a non-current asset (or disposal group) classified as held for sale **[Refer: paragraphs 6–14]** that does not meet the definition of a discontinued operation shall be included in profit or loss from continuing operations.

Presentation of a non-current asset or disposal group classified as held for sale

38 An entity shall present a non-current asset classified as held for sale **[Refer: paragraphs 6–14]** and the assets of a disposal group classified as held for sale separately from other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale shall be presented separately from other liabilities in the statement of financial position. Those assets and liabilities shall not be offset and presented as a single amount. The major classes of assets and liabilities classified as held for sale shall be separately disclosed either in the statement of financial position or in the notes, except as permitted by paragraph 39. An entity shall present separately any cumulative income or expense recognised in other comprehensive income **[Refer: Basis for Conclusions paragraph BC58]** relating to a non-current asset (or disposal group) classified as held for sale.

39 If the disposal group is a newly acquired subsidiary that meets the criteria to be classified as held for sale **[Refer: paragraphs 6–14]** on acquisition (see paragraph 11), disclosure of the major classes of assets and liabilities is not required.

40 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 **[Refer: paragraphs 6–14]** in the statements of financial position for prior periods to reflect the classification in the statement of financial position for the latest period presented.

Additional disclosures

41 An entity shall disclose the following information in the notes in the period in which a non-current asset (or disposal group) has been either classified as held for sale **[Refer: paragraphs 6–14]** or sold:

(a) a description of the non-current asset (or disposal group);

(b) 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;

(c) the gain or loss recognised in accordance with paragraphs 20–22 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;

(d) if applicable, the reportable segment **[Refer: IFRS 8 paragraphs 11–19]** in which the non-current asset (or disposal group) is presented in accordance with IFRS 8 *Operating Segments*.

42 If either paragraph 26 or paragraph 29 applies, an entity shall disclose, 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.

Transitional provisions

43 The IFRS shall be applied prospectively to non-current assets (or disposal groups) that meet the criteria to be classified as held for sale **[Refer: paragraphs 6–14]** and operations that meet the criteria to be classified as discontinued after the effective date of the IFRS. An entity may apply the requirements of the IFRS to all non-current assets (or disposal groups) that meet the criteria to be classified as held for sale and operations that meet the criteria to be classified as discontinued after any date before the effective date of the IFRS, provided the valuations and other information needed to apply the IFRS were obtained at the time those criteria were originally met.

Effective date

44 An entity shall apply this IFRS for annual periods beginning on or after 1 January 2005. Earlier application is encouraged. If an entity applies the IFRS for a period beginning before 1 January 2005, it shall disclose that fact.

44A IAS 1 (as revised in 2007) amended the terminology used throughout IFRSs. In addition it amended paragraphs 3 and 38, and added paragraph 33A. An entity shall apply those amendments for annual periods beginning on or after 1 January 2009. If an entity applies IAS 1 (revised 2007) for an earlier period, the amendments shall be applied for that earlier period.

44B IAS 27 *Consolidated and Separate Financial Statements* (as amended in 2008) added paragraph 33(d). An entity shall apply that amendment for annual periods beginning on or after 1 July 2009. If an entity applies IAS 27 (amended 2008) for an earlier period, the amendment shall be applied for that earlier period. The amendment shall be applied retrospectively.

44C Paragraphs 8A and 36A were added by *Improvements to IFRSs* issued in May 2008. An entity shall apply those amendments for annual periods beginning on or after 1 July 2009. Earlier application is permitted. However, an entity shall not apply the amendments for annual periods beginning before 1 July 2009 unless it also applies IAS 27 (as amended in January 2008). If an entity applies the amendments before 1 July 2009 it shall disclose that fact. An entity shall apply the amendments prospectively from the date at which it first applied IFRS 5, subject to the transitional provisions in paragraph 45 of IAS 27 (amended January 2008).

[Refer: Basis for Conclusions paragraph BC79A]

44D Paragraphs 5A, 12A and 15A were added and paragraph 8 was amended by IFRIC 17 *Distributions of Non-cash Assets to Owners* in November 2008. Those amendments shall be applied prospectively to non-current assets (or disposal groups) that are classified as held for distribution to owners in annual periods beginning on or after 1 July 2009. Retrospective application is not permitted. Earlier application is permitted. If an entity applies the amendments for a period beginning before 1 July 2009 it shall disclose that fact and also apply IFRS 3 *Business Combinations* (as revised in 2008), IAS 27 (as amended in January 2008) and IFRIC 17.

44E Paragraph 5B was added by *Improvements to IFRSs* issued in April 2009. An entity shall apply that amendment prospectively for annual periods beginning on or after 1 January 2010. Earlier application is permitted. If an entity applies the amendment for an earlier period it shall disclose that fact.

44F [Deleted]

44G IFRS 11 *Joint Arrangements*, issued in May 2011, amended paragraph 28. An entity shall apply that amendment when it applies IFRS 11.

44H IFRS 13 *Fair Value Measurement*, issued in May 2011, amended the definition of fair value and the definition of recoverable amount in Appendix A. An entity shall apply those amendments when it applies IFRS 13.

44I *Presentation of Items of Other Comprehensive Income* (Amendments to IAS 1), issued in June 2011, amended paragraph 33A. An entity shall apply that amendment when it applies IAS 1 as amended in June 2011.

[Refer: IAS 1 Basis for Conclusions paragraphs BC105A and BC105B]

44J [Deleted]

44K IFRS 9, as issued in July 2014, amended paragraph 5 and deleted paragraphs 44F and 44J. An entity shall apply those amendments when it applies IFRS 9.

44L *Annual Improvements to IFRSs 2012–2014 Cycle*, issued in September 2014, amended paragraphs 26–29 and added paragraph 26A. 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. If an entity applies those amendments for an earlier period it shall disclose that fact.

[Refer: Basis for Conclusions paragraph BC72L]

44M IFRS 17, issued in May 2017, amended paragraph 5. An entity shall apply that amendment when it applies IFRS 17.

Withdrawal of IAS 35

45 This IFRS supersedes IAS 35 *Discontinuing Operations*.

Appendix A
Defined terms

This appendix is an integral part of the IFRS.

cash-generating unit The smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

component of an entity Operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity.

costs to sell The incremental costs directly attributable to the disposal of an asset (or **disposal group**), excluding finance costs and income tax expense.

current asset An entity shall classify an asset as current when:

(a) it expects to realise the asset, or intends to sell or consume it, in its normal operating cycle;

(b) it holds the asset primarily for the purpose of trading;

(c) it expects to realise the asset within twelve months after the reporting period; or

(d) the asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

discontinued operation A **component of an entity** that either has been disposed of or is classified as held for sale **[Refer: paragraphs 6–14 and Basis for Conclusions paragraphs BC59–BC64]** and:

(a) represents a separate major line of business or geographical area of operations,
[Refer: Basis for Conclusions paragraphs BC67–BC71]

(b) is part of a single co-ordinated 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 resale.
[Refer: Basis for Conclusions paragraph BC72]

disposal group 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. The group includes goodwill acquired in a business combination if the group is a **cash-generating unit** to which goodwill has been allocated in accordance with the

	requirements of paragraphs 80–87 of IAS 36 *Impairment of Assets* (as revised in 2004) or if it is an operation within such a cash-generating unit.
fair value	*Fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. (See IFRS 13.)
firm purchase commitment	An agreement with an unrelated party, binding on both parties and usually legally enforceable, that (a) specifies all significant terms, including the price and timing of the transactions, and (b) includes a disincentive for non-performance that is sufficiently large to make performance **highly probable.**
highly probable	Significantly more likely than **probable**. **[Refer: Basis for Conclusions paragraphs BC80 and BC81]**
non-current asset	An asset that does not meet the definition of a **current asset**.
probable	More likely than not.
recoverable amount	The higher of an asset's **fair value** less **costs of disposal** and its **value in use**.
value in use	The present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Appendix B
Application supplement

This appendix is an integral part of the IFRS.

Extension of the period required to complete a sale

B1 As noted in paragraph 9, 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 **[Refer: paragraphs 6–14]** 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). An exception to the one-year requirement in paragraph 8 shall therefore apply in the following situations in which such events or circumstances arise:

(a) at the date an entity commits itself to a plan to sell a non-current asset (or disposal group) it reasonably expects that others (not a buyer) will impose conditions on the transfer of the asset (or disposal group) that will extend the period required to complete the sale, and:

   (i) actions necessary to respond to those conditions cannot be initiated until after a *firm purchase commitment* is obtained, and

   (ii) a firm purchase commitment is highly probable within one year.

(b) an entity obtains a firm purchase commitment and, as a result, a buyer or others unexpectedly impose conditions on the transfer of a non-current asset (or disposal group) previously classified as held for sale that will extend the period required to complete the sale, and:

   (i) timely actions necessary to respond to the conditions have been taken, and

   (ii) a favourable resolution of the delaying factors is expected.

(c) during the initial one-year period, circumstances arise that were previously considered unlikely and, as a result, a non-current asset (or disposal group) previously classified as held for sale is not sold by the end of that period, and:

   (i) during the initial one-year period the entity took action necessary to respond to the change in circumstances,

   (ii) the non-current asset (or disposal group) is being actively marketed at a price that is reasonable, given the change in circumstances, and

   (iii) the criteria in paragraphs 7 and 8 are met.

Appendix C
Amendments to other IFRSs

The amendments in this appendix shall be applied for annual periods beginning on or after 1 January 2005. If an entity adopts this IFRS for an earlier period, these amendments shall be applied for that earlier period.

* * * * *

The amendments contained in this appendix when this IFRS was issued in 2004 have been incorporated into the relevant IFRSs published in this volume.

Approval by the Board of IFRS 5 issued in March 2004

International Financial Reporting Standard 5 *Non-current Assets Held for Sale and Discontinued Operations* was approved for issue by twelve of the fourteen members of the International Accounting Standards Board. Messrs Cope and Schmid dissented. Their dissenting opinions are set out after the Basis for Conclusions on IFRS 5.

Sir David Tweedie	Chairman
Thomas E Jones	Vice-Chairman
Mary E Barth	
Hans-Georg Bruns	
Anthony T Cope	
Robert P Garnett	
Gilbert Gélard	
James J Leisenring	
Warren J McGregor	
Patricia L O'Malley	
Harry K Schmid	
John T Smith	
Geoffrey Whittington	
Tatsumi Yamada	