IFRS 5 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

FACT SHEET

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This fact sheet is based on existing requirements as at 31 December 2015 and does not take into account recent standards and interpretations that have been issued but are not yet effective.

IMPORTANT NOTE

This fact sheet is based on the requirements of the International Financial Reporting Standards (IFRSs). In some jurisdictions, the IFRSs are adopted in their entirety; in other jurisdictions the individual IFRSs are amended. In some jurisdictions the requirements of a particular IFRS may not have been adopted. Consequently, users of the fact sheet in various jurisdictions should ascertain for themselves the relevance of the fact sheet to their particular jurisdiction. The application date included below is the effective date of the initial version of the standard.

IASB APPLICATION DATE (NON-JURISDICTION SPECIFIC)

IFRS 5 is applicable for annual reporting periods commencing on or after 1 January 2005.

OBJECTIVE

IFRS 5 specifies the accounting for assets held for sale and the presentation and disclosure of discontinued operations.

SCOPE

IFRS 5 applies to all recognised non-current assets and to all disposal groups, except

- deferred tax assets (refer to IAS 12 *Income Taxes*)
- assets arising from employee benefits (refer to IAS 19 *Employee Benefits*)
- financial assets within the scope of IAS 39 *Financial Instruments: Recognition and Measurement*
- non-current assets that are accounted for in accordance with the fair value model in IAS 40 *Investment Property*
- non-current assets that are measured at fair value less costs to sell in accordance with IAS 41 *Agriculture*
- contractual rights under insurance contracts (refer to IFRS 4 *Insurance Contracts*)

PRESCRIBED ACCOUNTING TREATMENT

Recognition

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 customary sales terms of such assets (or disposal groups).
- The sale must be **highly probable – i.e.**
  - the appropriate level of management must be committed to a plan to sell the asset (or disposal group),
  - an active search for a buyer must have been initiated, and
  - the asset must be actively marketed for sale at a price (i.e. current fair value) that is reasonable.
- The sale shall be completed within one year from the date of classification, except for events or circumstances which may extend the period. When the sale is expected to occur beyond one year, the entity shall measure the costs to sell at their present value.
- It is unlikely that changes will be made or the plan will be withdrawn.

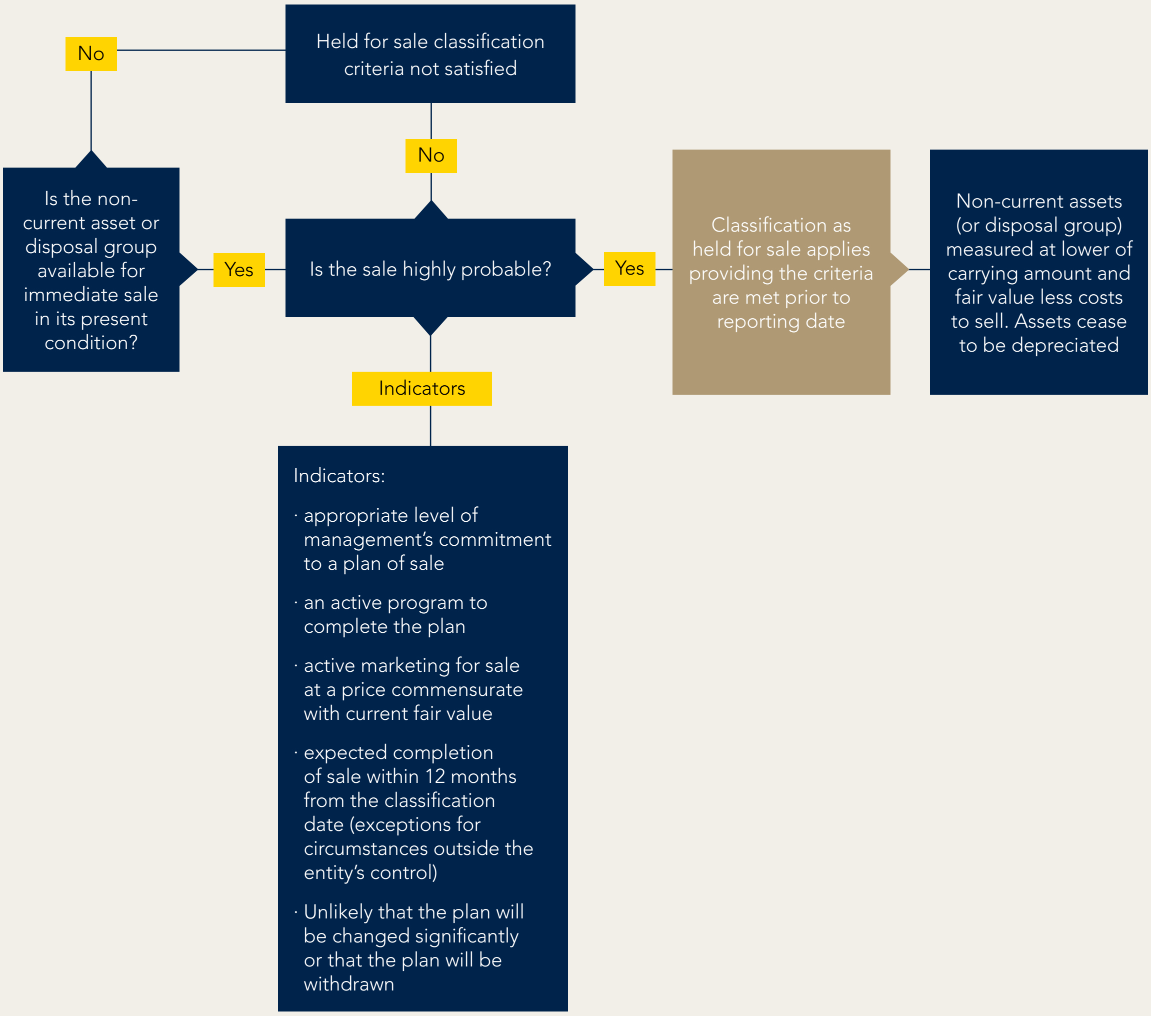
Measurement

Once classified as held for sale, the asset is measured at the lower of its carrying amount and fair value less costs to sell.

The depreciation (amortisation) of an asset classified as held for sale ceases from the date of classification.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale shall continue to be recognised.

The criteria to determine the classification and accounting treatment of assets (or disposal groups) held for sale are depicted below:



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

If the criteria for a held for sale or held for distribution to owners classification are no longer met, the non-current asset (disposal group) is no longer classified as held for sale or held for distribution to owners (respectively) and is measured at the **lower** of:

- its carrying amount immediately prior to its held for sale classification, adjusted for any depreciation, amortisation or revaluations that would have been recognised if not for the held for sale classification
- its recoverable amount at the date of the subsequent decision not to sell

A non-current asset (disposal group) that is to be abandoned must not be classified as held for sale. This is because the recovery of economic benefits is from continuing use, and not from the sale of asset.

DISCLOSURES

Refer to Appendix 1 for a checklist to assist with IFRS 6 disclosure requirements.

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).

DEFINITIONS

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.
Discontinued operation	A component of an entity that either 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 part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or • is a subsidiary acquired exclusively with a view to resale
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 IAS 36 *Impairment of Assets* or if it is an operation within such a cash-generating unit
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.
Probable	More likely than not

AUSTRALIAN SPECIFIC REQUIREMENTS

The Australian equivalent standard is AASB 5 *Non-current Assets held for Sale and Discontinued Operations* and is applicable for annual reporting periods commencing on or after 1 January 2005.

SCOPE EXEMPTION

The requirements in AASB 5 do not apply to:

a. the restructuring of administrative arrangements and

b. the restructuring of administered activities of government departments.

REDUCED DISCLOSURE REQUIREMENTS (RDR)

On 30 June 2010, the Australian Accounting Standards Board published AASB *1053 Application of Tiers of Australian Accounting Standards* (and *AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements*) which established a differential reporting framework, consisting of two Tiers of reporting requirements for preparing general purpose financial statements:

a. Tier 1: Australian Accounting Standards; and

b. Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements.

A Tier 2 entity is a 'reporting entity' as defined in SAC 1 *Definition of the Reporting Entity* that does not have 'public accountability' as defined in AASB 1053 and is not otherwise deemed to be a Tier 1 entity by AASB 1053.

RDR is applicable to annual periods beginning on or after 1 July 2013.

When developing AASB 1053, the AASB concluded that the Australian Government and state, territory and local governments should be subject to Tier 1 requirements. The AASB also decided that General Government Sectors of the Australian Government and state and territory governments should continue to apply AASB 1049 *Whole of Government and General Government Sector Financial Reporting*, without the reduction in disclosures provided by Tier 2. Other public sector entities are able to apply Tier 2 reporting requirements.

The requirements that do not apply to RDR entities are identified in Appendix 1 by shading of the relevant text.

APPENDIX 1 – DISCLOSURE CHECKLIST

This checklist can be used to review your financial statements. You should complete the "Yes / No / N/A" column about whether the requirement is included. To ensure the completeness of disclosures, provide an explanation for "No" answers.

CODE		YES / NO / N/A	EXPLANATION (*If required*)
IFRS 5.30	Has the entity presented and disclosed information enabling users of the financial statement to evaluate the financial effects of discontinued operations and disposals of non-current assets (or disposal groups)?		
IFRS 5.33	For discontinued operations, an entity shall disclose (either in the notes or on the face of the financial statements): a. a single amount on the face of the statement of comprehensive income comprising the total of: • the post-tax profit or loss of discontinued operations; and • 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: • the revenue, expenses and pre-tax profit or loss of discontinued operations; • the related income tax expense as required by paragraph 81(h) of IAS 12; • 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 • the related income tax expense as required by paragraph 81(h) of AASB 112. The analysis is not required for disposal groups that are newly acquired subsidiaries that meet the criteria to be classified as held for sale on acquisition. c. the net cash flows attributable to the operating, investing and financing activities of discontinued operations. 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. d. the amount of income from continuing operations and from discontinued operations attributable to owners of the parent.		
IFRS 5.34	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 for the latest period presented.		

CODE		YES / NO / N/A	EXPLANATION (*If required*)
IFRS 5.35	Where there have been 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, have these amounts been classified separately? Have the nature and amount of such adjustments been disclosed?		
IFRS 5.36A	If the entity is committed to a sale plan involving loss of control of a subsidiary, it 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.		
IFRS 5.38	• Have non-current assets held for sale been shown separately on the face of the Statement of Financial Position? • Have the liabilities of any disposal groups classified as held for sale been presented separately from other liabilities in the statement of financial position? • Has the entity presented separately, any cumulative income or expense recognised directly in other comprehensive income relating to a non-current asset (or disposal group) classified as held for sale?		
IFRS 5.41	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 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; and d. if applicable, the reportable segment in which the non-current asset (or disposal group) is presented in accordance with IFRS 8 *Operating Segments*.		
IFRS 5.42	If the entity has a non-current asset or disposal group which no longer meets the criteria of 'held for sale', has the entity disclosed in the period of the decision, 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?		

OTHER MATTERS

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