NZ International Financial Reporting Standard 5 (PBE)

Non-current Assets Held for Sale and Discontinued Operations (NZ IFRS 5 (PBE))

Issued November 2012 excluding consequential amendments resulting from early adoption of NZ IFRS 9 (2009) (PBE) *Financial Instruments* and NZ IFRS 9 (2010) (PBE) *Financial Instruments*

This Standard was issued by the New Zealand Accounting Standards Board of the External Reporting Board pursuant to section 24(1)(a) of the Financial Reporting Act 1993.

This Standard is a Regulation for the purposes of the Regulations (Disallowance) Act 1989.

As at1 December 2012, the requirements in this Standard are identical to the requirements in NZ IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* as applied by public benefit entities. Versions of NZ IFRS 5 applied by public benefit entities prior to adoption of this Standard are available on the Archived Standards page of the External Reporting Board (XRB) website at xrb.govt.nz

The following New Zealand Interpretation refers to NZ IFRS 5 (PBE):

- NZ IFRIC 17 (PBE) *Distributions of Non-cash Assets to Owners*

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NZ INTERNATIONAL FINANCIAL REPORTING STANDARD 5 (PBE) *NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS* (NZ IFRS 5 (PBE))

NZ International Financial Reporting Standard 5 (PBE) *Non-current Assets Held for Sale and Discontinued Operations* (NZ IFRS 5 (PBE)) is set out in paragraphs 1–NZ 44E.1 and Appendices A and B. NZ IFRS 5 (PBE) is based on International Financial Reporting Standard 5 *Non-current Assets Held for Sale and Discontinued Operations* (IFRS 5) (2004) issued by the International Accounting Standards Board (IASB). 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. NZ IFRS 5 (PBE) should be read in the context of its objective and the IASB's Basis for Conclusions on IFRS 5 and Part B of the New Zealand *Conceptual Framework for Financial Reporting (PBE)* (NZ *Framework (PBE)*). NZ IAS 8 (PBE) *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies in the absence of explicit guidance.

Any additional material is shown with grey shading. The paragraphs are denoted with "NZ" and identify the types of entities to which the paragraphs apply.

This Standard uses the terminology adopted in International Financial Reporting Standards (IFRSs) to describe the financial statements and other elements. NZ IAS 1 (PBE) *Presentation of Financial Statements* paragraph 5 explains that entities other than profit-oriented entities seeking to apply the Standard may need to amend the descriptions used for particular line items in the financial statements and for the financial statements themselves. For example, profit/loss may be referred to as surplus/deficit and capital or share capital may be referred to as equity.

HISTORY OF AMENDMENTS

Table of Pronouncements – NZ IFRS 5 (PBE) ***Non-current Assets Held for Sale and Discontinued Operations***

This table lists the pronouncement establishing NZ IFRS 5 (PBE).

Pronouncements	**Date approved**	**Early operative date**	**Effective date (annual reporting periods… on or after …)**
NZ IFRS 5 (PBE) *Non-current Assets Held for Sale and Discontinued Operations*	Nov 2012	Early application permitted	1 Dec 2012

Table of Amended Paragraphs in NZ IFRS 5 (PBE)		
Paragraph affected	**How affected**	**By … [date]**
Paragraph NZ 1.1	Inserted	NZ IFRS 5 (PBE) [Nov 2012]
Paragraphs 44–44E	Deleted	NZ IFRS 5 (PBE) [Nov 2012]
Paragraph NZ 44E.1	Inserted	NZ IFRS 5 (PBE) [Nov 2012]

The following tables list the pronouncements establishing and substantially amending NZ IFRS 5 as applied by PBEs prior to the issue of this Standard as NZ IFRS 5 (PBE) 2011 other than consequential amendments resulting from early adoption of NZ IFRS 9 (2009) *Financial Instruments* and NZ IFRS 9 (2010) *Financial Instruments.*

Pronouncements	**Date approved**	**Early operative date**	**Effective date (annual reporting periods… on or after …)**
NZ IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*	Nov 2004	1 Jan 2005	1 Jan 2007
Framework for Differential Reporting for Entities Applying the New Zealand Equivalents to IFRSs Financial Reporting Regime (Framework for Differential Reporting)	June 2005	1 Jan 2005	1 Jan 2007

Pronouncements	**Date approved**	**Early operative date**	**Effective date (annual reporting periods… on or after …)**
Amendment to the *Framework for Differential Reporting*	Dec 2005	1 Jan 2005	1 Jan 2007
NZ IAS 1 *Presentation of Financial Statements* (revised 2007)	Nov 2007	Early application permitted	1 Jan 2009
NZ IAS 27 *Consolidated and Separate Financial Statements* (amended 2008)	Feb 2008	Early application permitted	1 July 2009
Improvements to NZ IFRSs	June 2008	Early application permitted	1 July 2009
Minor Amendments to NZ IFRSs (2008-2)	Aug 2008	Immediate	Immediate
NZ IFRIC 17 *Distribution of Non-cash Assets to Owners*	Dec 2008	Early application permitted	1 July 2009
Improvements to NZ IFRSs	May 2009	Early application permitted	1 July 2009

Table of Amended Paragraphs in NZ IFRS 5		
Paragraph affected	**How affected**	**By … [date]**
Paragraph 5	Amended	*Improvements to NZ IFRSs* [June 2008]
Paragraph NZ 5.1	Inserted	Amendment to the *Framework for Differential Reporting* [Dec 2005]
Paragraph 5A	Inserted	NZ IFRIC 17[Dec 2008]
Paragraph 5B	Inserted	*Improvements to NZ IFRSs* [May 2009]
Heading preceding paragraph 6	Amended	NZ IFRIC 17 [Dec 2008]
Paragraph 8	Amended	NZ IFRIC 17 [Dec 2008]
Paragraph 8A	Inserted	*Improvements to NZ IFRSs* [June 2008]
Paragraph 12A	Inserted	NZ IFRIC 17 [Dec 2008]
Paragraph 15A and footnote	Inserted	NZ IFRIC 17 [Dec 2008]

Table of Amended Paragraphs in NZ IFRS 5		
Paragraph affected	**How affected**	**By … [date]**
Paragraph 28	Amended	NZ IAS 1 [Nov 2007]
Paragraph 33(d)	Inserted	NZ IAS 27 [Feb 2008]
Paragraph 33A	Inserted	NZ IAS 1 [Nov 2007]
Paragraph 36A	Inserted	*Improvements to NZ IFRSs* [June 2008]
Paragraph 38	Amended	NZ IAS 1 [Nov 2007]
Paragraph 44A	Inserted	NZ IAS 1 [Nov 2007]
Paragraph 44B	Inserted	NZ IAS 27 [Feb 2008]
Paragraph 44C	Inserted	*Improvements to NZ IFRSs* [June 2008]
Paragraph 44D	Inserted	NZ IFRIC 17 [Dec 2008]
Paragraph 44E	Inserted	*Improvements to NZ IFRSs* [May 2009]
Appendix A Defined terms: current asset	Amended	NZ IAS 1 [Nov 2007]

Introduction to NZ IFRS 5 (PBE)

NZ IFRS 5 (PBE) is identical to NZ IFRS 5 applied by public benefit entities prior to the issuance of NZ IFRS 5 (PBE). That is, there are no changes to the recognition, measurement, presentation and disclosure requirements of NZ IFRS 5 on adoption of this Standard.

This Standard sets out requirements for the classification, measurement and presentation of non-current assets held for sale. NZ IFRS 5 (PBE):

(a) adopts the classification 'held for sale';

(b) introduces the concept of a disposal group, being 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;

(c) specifies that assets or disposal groups that are classified as held for sale are carried at the lower of carrying amount and fair value less costs to sell;

(d) specifies that an asset classified as held for sale, or included within a disposal group that is classified as held for sale, is not depreciated;

(e) specifies that an asset classified as held for sale, and the assets and liabilities included within a disposal group classified as held for sale, are presented separately in the statement of financial position;

(f) classifies an operation as discontinued at the date the operation meets the criteria to be classified as held for sale or when the entity has disposed of the operation;

(g) specifies that the results of discontinued operations are to be shown separately in the statement of comprehensive income; and

(h) prohibits retroactive classification of an operation as discontinued, when the criteria for that classification are not met until after the end of the reporting period.

When IFRS 5 was introduced to New Zealand for public benefit entities no changes were made to IFRS 5.

Differential reporting

Qualifying entities are given several concessions to the requirements of this Standard (as identified in the Standard).

NZ International Financial Reporting Standard 5 (PBE)

Non-current Assets Held for Sale and Discontinued Operations (NZ IFRS 5 (PBE))

Objective

1 The objective of this Standard is to specify the accounting for assets held for sale, and the presentation and disclosure of *discontinued operations*. In particular, the Standard requires:

(a) assets that meet the criteria to be classified as held for sale to be 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

NZ 1.1	**This Standard applies only to public benefit entities.**

2 The classification and presentation requirements of this Standard apply to all recognised *non-current assets*[*] and to all *disposal groups* of an entity. The measurement requirements of this Standard 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 in accordance with NZ IAS 1 (PBE) *Presentation of Financial Statements* shall not be reclassified as *current assets* until they meet the criteria to be classified as held for sale in accordance with this Standard. Assets of a class that an entity would normally regard as non-current that are acquired

[*] 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.

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 Standard.

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.[*] The group may include any assets and any liabilities of the entity, including current assets, current liabilities and assets excluded by paragraph 5 from the measurement requirements of this Standard. If a non-current asset within the scope of the measurement requirements of this Standard is part of a disposal group, the measurement requirements of this Standard 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 of this Standard[†] do not apply to the following assets, which are covered by the Standards listed, either as individual assets or as part of a disposal group:

(a) deferred tax assets (NZ IAS 12 (PBE) *Income Taxes*).

(b) assets arising from employee benefits (NZ IAS 19 (PBE) *Employee Benefits*).

(c) financial assets within the scope of NZ IAS 39 (PBE) *Financial Instruments: Recognition and Measurement*.

(d) non-current assets that are accounted for in accordance with the fair value model in NZ IAS 40 (PBE) *Investment Property*.

(e) non-current assets that are measured at fair value less costs to sell in accordance with NZ IAS 41 (PBE) *Agriculture.*

(f) contractual rights under insurance contracts as defined in NZ IFRS 4 (PBE) *Insurance Contracts.*

Qualifying Entities

NZ 5.1 Entities which qualify for differential reporting concessions in accordance with XRB A1 *Accounting Standards Framework* are not required to comply with the disclosure requirements in this Standard denoted with an asterisk (*).

5A The classification, presentation and measurement requirements in this NZ IFRS PBE 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

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* 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.

† Other than paragraphs 18 and 19, which require the assets in question to be measured in accordance with other applicable NZ IFRS PBE.

is classified as held for distribution to owners acting in their capacity as owners (held for distribution to owners).

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

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

(b) disclosures about measurement of assets and liabilities within a disposal group that are not in the scope of the measurement requirement of NZ IFRS 5 (PBE) and 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 NZ IAS 1 (PBE), in particular paragraphs 15 and 125 of that Standard.

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.

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.

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.

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 in accordance with NZ IAS 16 (PBE) *Property, Plant and Equipment*.

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).

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. However, when those criteria are met after the reporting period but before the authorisation of the financial statements for issue, 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.

Non-current assets that are to be abandoned

13 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 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) 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 at the lower of its carrying amount and fair value less costs to sell.

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.[*]

16 If a newly acquired asset (or disposal group) meets the criteria to be classified as held for sale (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.

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, the carrying amounts of the asset (or all the assets and liabilities in the group) shall be measured in accordance with applicable NZ IFRS PBE.

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 Standard, but are included in a disposal group classified as held for sale, shall be remeasured in accordance with applicable NZ IFRS PBE 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.

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

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 Standard or previously in accordance with NZ IAS 36 (PBE) *Impairment of Assets*.

22 An entity shall recognise a gain for any subsequent increase in fair value less costs to sell of a disposal group:

(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 Standard or previously in accordance with NZ IAS 36 (PBE), on the non-current assets that are within the scope of the measurement requirements of this Standard.

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 of this Standard, in the order of allocation set out in paragraphs 104(a) and (b) and 122 of NZ IAS 36 (PBE).

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 NZ IAS 16 (PBE) for property, plant and equipment, and

(b) paragraphs 112–117 of NZ IAS 38 (PBE) *Intangible Assets* for intangible assets.

25 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

26 If an entity has classified an asset (or disposal group) as held for sale, but the criteria in paragraphs 7–9 are no longer met, the entity shall cease to classify the asset (or disposal group) as held for sale.

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

(a) its carrying amount before the asset (or disposal group) was classified as held for sale, 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, and

(b) its *recoverable amount* at the date of the subsequent decision not to sell.*

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 in profit or loss† from continuing operations in the period in which the criteria in paragraphs 7–9 are no longer met. The entity shall present that adjustment in the same caption in the statement of comprehensive income used to present a gain or loss, if any, recognised in accordance with paragraph 37.

29 If an entity removes an individual asset or liability from a disposal group classified as held for sale, 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. Otherwise, the remaining non-current assets of the group that individually meet the criteria to be classified as held for sale shall be measured individually at the lower of their carrying amounts and fair values less costs to sell at that date. Any non-current assets that do not meet the criteria shall cease to be classified as held for sale in accordance with paragraph 26.

Presentation and disclosure

***30 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).**

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, 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.

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* 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 NZ IAS 36 (PBE).

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

*33 An entity shall disclose:

(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 NZ IAS 12 (PBE); and

(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.

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 on acquisition (see paragraph 11).

(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 components of profit or loss in a separate income statement as described in paragraph 81 of NZ IAS 1 (PBE), a section identified as relating to discontinued operations is presented in that separate 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 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, 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.

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 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 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 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 on acquisition (see paragraph 1), 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 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 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 segment in which the non-current asset (or disposal group) is presented in accordance with NZ 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 [Deleted]

Effective date

44–44E [Deleted]

NZ 44E.1 This Standard applies to annual periods beginning on or after 1 December 2012. Early application is permitted. This Standard replaces NZ IFRS 5 as applied by public benefit entities prior to the issuance of this Standard. There are no changes to the requirements of NZ IFRS 5 as applied by public benefit entities.

Withdrawal of IAS 35

45 [Deleted]

Appendix A
Defined terms

This Appendix is an integral part of the Standard.

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 it; (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 NZ IAS 7 (PBE)) 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 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.

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 NZ IAS 36 (PBE) *Impairment of Assets* or if it is an operation within such a cash-generating unit.

fair value — The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

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**.

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 to sell** 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 Standard.

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 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.