

**Non-current Assets Held for Sale  
and Discontinued Operations**

This Standard is applicable for annual reporting period beginning on  
1 January 2024.

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Financial Reporting Standard 105 *Non-current Assets Held for Sale and Discontinued Operations* (FRS 105) 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. FRS 105 should be read in the context of its objective, the *Preface to Financial Reporting Standards* and the *Conceptual Framework for Financial Reporting*. FRS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies in the absence of explicit guidance.

# Financial Reporting Standard 105

## *Non-current Assets Held for Sale and Discontinued Operations*

### Objective

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

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- 2 The classification and presentation requirements of this FRS apply to all recognised *non-current assets*<sup>1</sup> and to all *disposal groups* of an entity. The measurement requirements of this FRS 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 FRS 1 *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 FRS. 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 FRS.
- 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.<sup>2</sup> 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 FRS. If a non-current asset within the scope of the measurement requirements of this FRS is part of a disposal group, the measurement requirements of this FRS 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 FRS<sup>3</sup> do not apply to the following assets, which are covered by the FRSs listed, either as individual assets or as part of a disposal group:
- (a) deferred tax assets (FRS 12 *Income Taxes*).
  - (b) assets arising from employee benefits (FRS 19 *Employee Benefits*).

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<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> Other than paragraphs 18 and 19, which require the assets in question to be measured in accordance with other applicable FRSs.

- (c) financial assets within the scope of FRS 109 *Financial Instruments*.
  - (d) non-current assets that are accounted for in accordance with the fair value model in FRS 40 *Investment Property*.
  - (e) non-current assets that are measured at fair value less costs to sell in accordance with FRS 41 *Agriculture*.
  - (f) groups of contracts within the scope of FRS 117 *Insurance Contracts*.
- 5A The classification, presentation and measurement requirements in this FRS 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).
- 5B This FRS specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. Disclosures in other FRSs do not apply to such assets (or disposal groups) unless those FRSs 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 FRS 105 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 FRS 1, 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**

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- 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 FRS 16 *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) classified as held for sale**

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### **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.<sup>4</sup>**

- 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 FRSs.
- 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 FRS, but are included in a disposal group classified as held for sale, shall be remeasured in accordance with applicable FRSs 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 FRS or previously in accordance with FRS 36 *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 FRS or previously in accordance with FRS 36, on the non-current assets that are within the scope of the measurement requirements of this FRS.
- 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 FRS, in the order of allocation set out in paragraphs 104(a) and (b) and 122 of FRS 36 (as revised in 2004).
- 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 FRS 16 (as revised in 2004) for property, plant and equipment, and

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

- (b) paragraphs 112–117 of FRS 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 or while it is part of a disposal group classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale shall continue to be recognised.

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

26 If an entity has classified an asset (or disposal group) as held for sale or as held for distribution to owners, 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.

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. 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 FRS that are applicable to the new method of disposal.
- (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.
- (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.

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

- (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.<sup>5</sup>

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 or as held for distribution to owners in profit or loss<sup>6</sup> 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

<sup>5</sup> 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 FRS 36.

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



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 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. If an entity removes an individual asset or liability from a disposal group classified as held for distribution to owners, 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

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- 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.
- 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 FRS 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 FRS 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 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 items of profit or loss in a separate statement as described in paragraph 10A of FRS 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 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 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 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 reportable segment in which the non-current asset (or disposal group) is presented in accordance with FRS 108 *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

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- 43 The FRS shall be applied prospectively to 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 the effective date of the FRS. An entity may apply the requirements of the FRS 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 FRS, provided the valuations and

other information needed to apply the FRS were obtained at the time those criteria were originally met.

## Effective date

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- 44 An entity shall apply this FRS for annual periods beginning on or after 1 January 2005. Earlier application is encouraged. If an entity applies the FRS for a period beginning before 1 January 2005, it shall disclose that fact.
- 44A FRS 1 (as revised in 2008) amended the terminology used throughout FRSs. 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 FRS 1 (revised 2008) for an earlier period, the amendments shall be applied for that earlier period.
- 44B FRS 27 *Consolidated and Separate Financial Statements* (as amended in 2009) added paragraph 33(d). An entity shall apply that amendment for annual periods beginning on or after 1 July 2009. If an entity applies FRS 27 (amended 2009) 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 FRSs* issued in October 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 FRS 27 (as amended in June 2009). 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 FRS 105, subject to the transitional provisions in paragraph 45 of FRS 27 (amended June 2009).
- 44D Paragraphs 5A, 12A and 15A were added and paragraph 8 was amended by INT FRS 117 *Distributions of Non-cash Assets to Owners* in January 2009. 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 FRS 103 *Business Combinations* (as revised in 2009), FRS 27 (as amended in June 2009) and INT FRS 117.
- 44E Paragraph 5B was added by *Improvements to FRSs* issued in June 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 [Not used]
- 44G FRS 111 *Joint Arrangements*, issued in September 2011, amended paragraph 28. An entity shall apply that amendment when it applies FRS 111.
- 44H FRS 113 *Fair Value Measurement*, issued in September 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 FRS 113.
- 44I *Presentation of Items of Other Comprehensive Income* (Amendments to FRS 1), issued in September 2011, amended paragraph 33A. An entity shall apply that amendment when it applies FRS 1 as amended in September 2011.
- 44J [Not used]

- 44K FRS 109, as issued in December 2014, amended paragraph 5. An entity shall apply that amendment when it applies FRS 109.
- 44L *Improvements to FRSs*, issued in November 2014, amended paragraphs 26-29 and added paragraph 26A. An entity shall apply those amendments prospectively in accordance with FRS 8 *Accounting Policies, Changes in Accounting Estimate 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.
- 44M FRS 117, issued in March 2018, amended paragraph 5. An entity shall apply that amendment when it applies FRS 117.

## **Withdrawal of FRS 35**

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- 45 This FRS supersedes FRS 35 *Discontinuing Operations*.

## Appendix A

### Defined terms

*This appendix is an integral part of the FRS.*

<b>cash-generating unit</b>	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.
<b>component of an entity</b>	Operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity.
<b>costs to sell</b>	The incremental costs directly attributable to the disposal of an asset (or <b>disposal group</b> ), excluding finance costs and income tax expense.
<b>current asset</b>	<p>An entity shall classify an asset as current when:</p> <ul style="list-style-type: none"> <li>(a) it expects to realise the asset, or intends to sell or consume it, in its normal operating cycle;</li> <li>(b) it holds the asset primarily for the purpose of trading;</li> <li>(c) it expects to realise the asset within twelve months after the reporting period; or</li> <li>(d) the asset is cash or a cash equivalent (as defined in FRS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.</li> </ul>
<b>discontinued operation</b>	<p>A <b>component of an entity</b> that either has been disposed of or is classified as held for sale and:</p> <ul style="list-style-type: none"> <li>(a) represents a separate major line of business or geographical area of operations,</li> <li>(b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or</li> <li>(c) is a subsidiary acquired exclusively with a view to resale.</li> </ul>
<b>disposal group</b>	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 <b>cash-generating unit</b> to which goodwill has been allocated in accordance with the requirements of paragraphs 80–87 of FRS 36 <i>Impairment of Assets</i> (as revised in 2004) or if it is an operation within such a cash-generating unit.
<b>fair value</b>	<i>Fair value</i> 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 FRS 113.)

<b>firm purchase commitment</b>	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 <b>highly probable</b> .
<b>highly probable</b>	Significantly more likely than <b>probable</b> .
<b>non-current asset</b>	An asset that does not meet the definition of a <b>current asset</b> .
<b>probable</b>	More likely than not.
<b>recoverable amount</b>	The higher of an asset's <b>fair value</b> less <b>costs of disposal</b> and its <b>value in use</b> .
<b>value in use</b>	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 FRS.*

#### **Extension of the period required to complete a sale**

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- 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.



## **Appendix C**

### **Amendments to other FRSs**

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

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*The amendments contained in this appendix when this FRS was issued in 2004 have been incorporated into the relevant FRSs published in this volume.*