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(Acts whose publication is obligatory)

COMMISSION REGULATION (EC) No 2236/2004

of 29 December 2004

amending Regulation (EC) No 1725/2003 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standards (IFRSs) Nos 1, 3 to 5, International Accounting Standards (IASs) Nos 1, 10, 12, 14, 16 to 19, 22, 27, 28, 31 to 41 and the interpretations by the Standard Interpretation Committee (SIC) Nos 9, 22, 28 and 32

(Text with EEA relevance)

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community,

Having regard to Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards [1], and in particular Article 3(1) thereof,

Whereas:

(1) By Commission Regulation (EC) No 1725/2003 [2], certain international standards and interpretations that were extant at 1 September 2002 were adopted.

(2) On 31 March 2004, the International Accounting Standard Board (IASB) published among others three new standards, International Financial Reporting Standards (IFRSs) Nos 3 to 5, and two revised standards, IASs Nos 36 and 38, containing consequential changes. Those new standards further complete the 'stable platform', that is the set of standards which listed Community companies will have to apply in their consolidated accounts from 1 January 2005 onwards. The general objective is to improve the quality of International Accounting Standards (IASs) as well as to increase convergence of accounting standards around the world.

(3) The consultation with technical experts in the field confirms that the new IFRSs and the revised IASs meet the technical criteria for adoption set out in Article 3 of Regulation (EC) No 1606/2002, and in particular the requirement of being conducive to the European public good.

(4) The adoption of IAS 36 implies, by way of consequence, amendments to IAS 16, which was adopted by Regulation (EC) No 1725/2003, in order to ensure consistency between the accounting standards concerned.

(5) The adoption of IFRS 3, 4 and 5 implies, by way of consequence, amendments to other international accounting standards and interpretations in order to ensure consistency between international accounting standards. Those consequential amendments are affecting International Financial Reporting Standard (IFRS) No 1, International Accounting Standards (IASs) Nos 1, 10, 12, 14, 16 to 19, 27, 28, 31 to 34, 36 to 41 and interpretation issued by the Standard Interpretation Committee (SIC) No 32. In addition, the adoption of IFRS 3 makes redundant the International Accounting Standard (IAS) 22 and the interpretations issued by the Standard Interpretation Committee (SIC) Nos 9, 22 and 28; they should accordingly be replaced. Furthermore, adoption of IFRS 5 should lead to a replacement of IAS 35.

(6) Regulation (EC) No 1725/2003 should therefore be amended accordingly.

(7) The measures provided for in this Regulation are in accordance with the opinion of the Accounting Regulatory Committee,

HAS ADOPTED THIS REGULATION:

Article 1

The Annex to Regulation (EC) No 1725/2003 is amended as follows:

(1) The International Accounting Standard (IAS) 22 and the interpretations by the Standard Interpretation Committee (SIC) Nos 9, 22 and 28 are replaced by International Financial Reporting Standard (IFRS) 3 [*Business combinations]* as set out in the Annex to this Regulation;

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[1] OJ L 243, 11.9.2002, p. 1.

[2] OJ L 261, 13.10.2003, p. 1. Regulation as last amended by Regulation (EC) No 2086/2004 (OJ L 363, 9.12.2004, p. 1).

(2) The (IFRS) Nos 4 [*Insurance contracts]* is inserted as set out in the Annex to this Regulation;

(3) IAS 35 is replaced by IFRS 5 [*Non-current assets held for sale and discontinued operations]* as set out in the Annex to this Regulation;

(4) IASs Nos 36 and 38 are replaced by IASs Nos 36 and 38 as set out in the Annex to this Regulation;

(5) The adoption of IFRS 3 implies, by way of consequence, amendments to IFRS 1, to IASs 12, 14, 16, 19, 27, 28, 31, 32, 33, 34, 37, 39 and to SIC 32 in order to ensure consistency between accounting standards;

(6) The adoption of IFRS 4 implies, by way of consequence, amendments to IFRS 1 and to IASs 18, 19, 32, 37, 39, 40 in order to ensure consistency between international accounting standards;

(7) The adoption of IFRS 5 implies, by way of consequence, amendments to IFRS 1, IFRS 3 and to IASs 1, 10, 16, 17, 27, 28, 31, 36, 37, 38, 40, 41 in order to ensure consistency between international accounting standards;

Article 2

This Regulation shall enter into force on the third day following that of its publication in the *Official Journal of the European Union*.

It shall apply from 1 January 2005 at the latest.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 29 December 2004.

For the Commission
Charlie McCREEVY
Member of the Commission

ANNEX

INTERNATIONAL FINANCIAL REPORTING STANDARDS

No	Title
IFRS 3	Business combinations
IFRS 4	Insurance contracts
IFRS 5	Non-current assets held for sale and discontinued operations
IAS 36	Impairment of assets
IAS 38	Intangible assets

INTERNATIONAL FINANCIAL REPORTING STANDARD 5

Non-current assets held for sale and discontinued operations

SUMMARY

OBJECTIVE

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

   (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 on the face of the balance sheet and the results of discontinued operations to be presented separately in the income statement.

SCOPE

2. The classification and presentation requirements of this IFRS apply to all recognised *non-current assets* (*) and to all *disposal groups* of an entity. The measurement requirements of this IFRS apply to all recognised noncurrent 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 IAS 1 *Presentation of Financial Statements* (as revised in 2003) shall not be reclassified as *current assets* until they meet the criteria to be classified as held for sale in accordance with this IFRS. Assets of a class that an entity would normally regard as non-current that are acquired exclusively with a view to resale shall not be classified as current unless they meet the criteria to be classified as held for sale in accordance with this IFRS.

4. Sometimes an entity disposes of a group of assets, possibly with some directly associated liabilities, together in a single transaction. Such a disposal group may be a group of *cash-generating units*, a single cash-generating unit, or part of a cash-generating unit. (**) 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 IFRS. If a non-current asset within the scope of the measurement requirements of this IFRS is part of a disposal group, the measurement requirements of this IFRS apply to the group as a whole, so that the group is measured at the lower of its carrying amount and fair value less costs to sell. The requirements for measuring the individual assets and liabilities within the disposal group are set out in paragraphs 18, 19 and 23.

5. The measurement provisions of this IFRS (***) 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 (IAS 12 *Income Taxes*).

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

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

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

   (e) non-current assets that are measured at fair value less estimated point-of-sale costs in accordance with IAS 41 *Agriculture*.

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

CLASSIFICATION OF NON-CURRENT ASSETS (OR DISPOSAL GROUPS) AS HELD FOR SALE

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.**

(*) 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 balance sheet date. Paragraph 3 applies to the classification of such assets.

(**) 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 IFRSs.

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.

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 noncurrent assets when the exchange has commercial substance in accordance with IAS 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 oneyear 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 balance sheet date, 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 balance sheet date 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.

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

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.**

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 IFRSs.

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

Recognition of impairment losses and reversals

20. An entity shall recognise an impairment loss for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell, to the extent that it has not been recognised in accordance with paragraph 19.

21. An entity shall recognise a gain for any subsequent increase in fair value less costs to sell of an asset, but not in excess of the cumulative impairment loss that has been recognised either in accordance with this IFRS or previously in accordance with IAS 36 *Impairment of Assets*.

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 IFRS or previously in accordance with IAS 36, on the non-current assets that are within the scope of the measurement requirements of this IFRS.

23. The impairment loss (or any subsequent gain) recognised for a disposal group shall reduce (or increase) the carrying amount of the non-current assets in the group that are within the scope of the measurement requirements of this IFRS, in the order of allocation set out in paragraphs 104(a) and (b) and 122 of IAS 36 (as revised in 2004).

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

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

    and

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

25. An entity shall not depreciate (or amortise) a non-current asset while it is classified as held for sale 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 income (**) 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 income statement caption 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,

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

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

(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 on the face of the income statement comprising the total of:

(i) the post-tax profit or loss of discontinued operations

and

(ii) the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation.

(b) an analysis of the single amount in (a) into:

(i) the revenue, expenses and pre-tax profit or loss of discontinued operations;

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

(iii) the gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation;

and

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

The analysis may be presented in the notes or on the face of the income statement. If it is presented on the face of the income statement 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 on the face of 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).

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 balance sheet date 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.

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 balance sheet. The liabilities of a disposal group classified as held for sale shall be presented separately from other liabilities in the balance sheet. 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 on the face of the balance sheet or in the notes, except as permitted by paragraph 39. An entity shall present separately any cumulative income or expense recognised directly in equity 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 balance sheets for prior periods to reflect the classification in the balance sheet 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 on the face of the income statement, the caption in the income statement 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 IAS 14 *Segment Reporting*.

42. If either paragraph 26 or paragraph 29 applies, an entity shall disclose, in the period of the decision to change the plan to sell the non-current asset (or disposal group), a description of the facts and circumstances leading to the decision and the effect of the decision on the results of operations for the period and any prior periods presented.

TRANSITIONAL PROVISIONS

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

EFFECTIVE DATE

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

WITHDRAWAL OF IAS 35

45. This IFRS supersedes IAS 35 *Discontinuing Operations*.

APPENDIX A

Defined terms

This appendix is an integral part of the IFRS.

cash-generating unit	The smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.
component of an entity	Operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity.
costs to sell	The incremental costs directly attributable to the disposal of an asset (or **disposal group**), excluding finance costs and income tax expense.
current asset	An asset that satisfies any of the following criteria: (a) it is expected to be realised in, or is intended for sale or consumption in, the entity's normal operating cycle; (b) it is held primarily for the purpose of being traded; (c) it is expected to be realised within twelve months after the balance sheet date; or (d) it is cash or a cash equivalent asset unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date.
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 IAS 36 *Impairment of Assets* (as revised in 2004) 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**.

IFRS 5

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 IFRS.

EXTENSION OF THE PERIOD REQUIRED TO COMPLETE A SALE

B1 As noted in paragraph 9, an extension of the period required to complete a sale does not preclude an asset (or disposal group) from being classified as held for sale if the delay is caused by events or circumstances beyond the entity's control and there is sufficient evidence that the entity remains committed to its plan to sell the asset (or disposal group). An exception to the one-year requirement in paragraph 8 shall therefore apply in the following situations in which such events or circumstances arise:

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

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

and

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

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

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

and

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

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

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

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

and

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

APPENDIX C

Amendments to other IFRSs

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

C1 IAS 1 *Presentation of Financial Statements*(as revised in 2003), is amended as described below.

Paragraph 68 is amended to read as follows:

68. **As a minimum, *the face of the balance sheet shall include line items that present the following amounts to the extent that they are not presented in accordance with paragraph 68A:***

(a) …

Paragraph 68A is added as follows:

68A. ***The face of the balance sheet shall also include line items that present the following amounts:***

***(a) the total of assets classified as held for sale and assets included in disposal groups classified as held for sale in accordance with IFRS 5* Non-current Assets Held for Sale and Discontinued Operations;**

and

(b) liabilities included in disposal groups classified as held for sale in accordance with IFRS 5.

Paragraph 81 is amended to read as follows:

81. ***As a minimum, the face of the income statement shall include line items that present the following amounts for the period:***

…

(d) tax expense;

(e) a single amount comprising the total of (i) the post-tax profit or loss of discontinued operations and (ii) the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation;

and

(f) profit or loss.

Paragraph 87(e) is amended to read as follows:

(e) discontinued operations;

C2 In IAS 10 *Events after the Balance Sheet Date,* paragraph 22(b) and (c) is amended to read as follows:

(b) announcing a plan to discontinue an operation;

(c) major purchases of assets, classification of assets as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, other disposals of assets, or expropriation of major assets by government;

C3 IAS 14 *Segment Reporting* is amended as described below.

Paragraph 52 is amended to read as follows:

52. ***An entity shall disclose segment result for each reportable segment, presenting the result from continuing operations separately from the result from discontinued operations.***

Paragraph 52A is added as follows:

52A. ***An entity shall restate segment results in prior periods presented in the financial statements so that the disclosures required by paragraph 52 relating to discontinued operations relate to all operations that had been classified as discontinued at the balance sheet date of the latest period presented.***

Paragraph 67 is amended to read as follows:

67. ***An entity shall present a reconciliation between the information disclosed for reportable segments and the aggregated information in the consolidated or individual financial statements. In presenting the reconciliation, the entity shall reconcile segment revenue to entity revenue from external customers (including disclosure of the amount of entity revenue from external customers not included in any segment); segment result from continuing operations shall be reconciled to a comparable measure of entity operating profit or loss from continuing operations as well as to entity profit and loss from continuing operations; segment result from discontinued operations shall be reconciled to entity profit or loss from discontinued operations; segment assets shall be…***

C4 IAS 16 *Property, Plant and Equipment,* as revised in 2003, is amended as described below.

Paragraph 3 is amended to read as follows:

3. This Standard does not apply to:

   (a) property, plant and equipment classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations;*

   (b) biological assets…;

   or

   (c) mineral rights…

   However, this Standard applies to property, plant and equipment used to develop or maintain the assets described in (b) and (c).

Paragraph 55 is amended to read as follows:

55. … Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with IFRS 5 and the date that the asset is derecognised. Therefore, depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. However, …

Paragraph 73(e)(ii) is amended to read as follows:

(ii) assets classified as held for sale or included in a disposal group classified as held for sale in accordance with IFRS 5 and other disposals;

Paragraph 79(c) is amended to read as follows:

(c) the carrying amount of property, plant and equipment retired from active use and not classified as held for sale in accordance with IFRS 5;

C5 In IAS 17 *Leases*, as revised in 2003, paragraph 41A is added as follows:

41A. An asset under a finance lease that is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with IFRS 5 shall be accounted for in accordance with that IFRS.

C6 IAS 27 *Consolidated and Separate Financial Statements* is amended as described below.

Paragraph 12 is amended to read as follows:

12. ***Consolidated financial statements shall include all subsidiaries of the parent(*).***

A footnote is added to paragraph 12, as follows:

(*) If on acquisition a subsidiary meets the criteria to be classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, it shall be accounted for in accordance with that Standard.

Paragraphs 16-18 are deleted.

Paragraph 37 is amended to read as follows:

37. ***When separate financial statements are prepared, investments in subsidiaries, jointly controlled entities and associates that are not classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with IFRS 5 shall be accounted for either:***

(a) at cost, or

(b) in accordance with IAS 39.

The same accounting shall be applied for each category of investments. Investments in subsidiaries, jointly controlled entities and associates that are classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with IFRS 5 shall be accounted for in accordance with that IFRS.

Paragraph 39 is amended to read as follows:

39. ***Investments in jointly controlled entities and associates that are accounted for in accordance with IAS 39 in the consolidated financial statements shall be accounted for in the same way in the investor's separate financial statements.***

Paragraph 40(a) and (b) is deleted.

C7 IAS 28 *Investments in Associates* is amended as described below.

Paragraph 13 is amended to read as follows:

13. ***An investment in an associate shall be accounted for using the equity method except when:***

    (a) the investment is classified as held for sale in accordance with IFRS 5 **Non-current Assets Held for Sale and Discontinued Operations;**

    (b) …

Paragraph 14 is amended to read as follows:

14. ***Investments described in paragraph 13(a) shall be accounted for in accordance with IFRS 5.***

Paragraph 15 is amended so that, after the deletion of the reference to IAS 22 *Business Combinations* made by IFRS 3 *Business Combinations*, it reads as follows:

15. When an investment in an associate previously classified as held for sale no longer meets the criteria to be so classified, it shall be accounted for using the equity method as from the date of its classification as held for sale. Financial statements for the periods since classification as held for sale shall be amended accordingly.

Paragraph 16 is deleted.

Paragraph 38 is amended to read as follows:

38. ***…disclosed. The investor's share of any discontinued operations of such associates shall also be separately disclosed.***

C8 IAS 31 *Interests in Joint Ventures* is amended as described below.

Paragraph 2(a) is amended to read as follows:

(a) the interest is classified as held for sale in accordance with IFRS 5 **Non-current Assets Held for Sale and Discontinued Operations;**

Paragraph 42 is amended to read as follows:

42. ***Interests in jointly controlled entities that are classified as held for sale in accordance with IFRS 5 shall be accounted for in accordance with that IFRS.***

Paragraph 43 is amended so that, after the deletion of the reference to IAS 22 *Business Combinations* made by IFRS 3, it reads as follows:

43. When an interest in a jointly controlled entity previously classified as held for sale no longer meets the criteria to be so classified, it shall be accounted for using proportionate consolidation or the equity method as from the date of its classification as held for sale. Financial statements for the periods since classification as held for sale shall be amended accordingly.

Paragraph 44 is deleted.

C9 IAS 36 *Impairment of Assets*(issued in 1998) is amended as described below.

Paragraph 1 is amended to read as follows:

1. ***This Standard shall be applied in accounting for the impairment of all assets, other than:***

   (a) …

   (f) … (see IAS 40* Investment Property*);

   (g) … (see IAS 41* Agriculture*);

   and

   ***(h) non-current assets (or disposal groups) classified as held for sale in accordance with IFRS 5* Non-current Assets Held for Sale and Discontinued Operations.**

Paragraph 2 is amended to read as follows:

2. This Standard does not apply to inventories, assets arising from construction contracts, deferred tax assets, assets arising from employee benefits or assets classified as held for sale (or included in a disposal group that is classified as held for sale) because existing Standards applicable to these assets already contain specific requirements for recognising and measuring these assets.

In paragraph 5 the definition of a cash-generating unit is amended to read as follows:

A cash-generating unit is 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.

A footnote is added to the last sentence of paragraph 9(f), as follows:

(*) Once an asset meets the criteria to be classified as held for sale (or is included in a disposal group that is classified as held for sale), it is excluded from the scope of IAS 36 and is accounted for in accordance with IFRS 5.

C10 IAS 36 *Impairment of Assets* (as revised in 2004) is amended as described below.

All references to 'net selling price' are replaced by 'fair value less costs to sell'.

Paragraph 2 is amended to read as follows:

2. ***This Standard shall be applied in accounting for the impairment of all assets, other than:***

   (a) …

   ***(i) non-current assets (or disposal groups) classified as held for sale in accordance with IFRS 5* Non-current Assets Held for Sale and Discontinued Operations.**

Paragraph 3 is amended to read as follows:

3. This Standard does not apply to inventories, assets arising from construction contracts, deferred tax assets, assets arising from employee benefits, or assets classified as held for sale (or included in a disposal group that is classified as held for sale) because existing Standards applicable to these assets contain requirements for recognising and measuring these assets.

In paragraph 6 the definition of a cash-generating unit is amended to read as follows:

A cash-generating unit is 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.

A footnote is added to the last sentence of paragraph 12(f), as follows:

(*) Once an asset meets the criteria to be classified as held for sale (or is included in a disposal group that is classified as held for sale), it is excluded from the scope of the Standard and is accounted for in accordance with IFRS 5.

C11 In IAS 37 *Provisions, Contingent Liabilities and Contingent Assets,* paragraph 9 is amended to read as follows:

9. This Standard applies to provisions for restructurings (including discontinued operations). When a restructuring meets the definition of a discontinued operation, additional disclosures may be required by IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

C12 IAS 38 *Intangible Assets* (issued in 1998) (*) is amended as described below.

Paragraph 2 is amended to read as follows:

2. …For example, this Standard does not apply to:

(a) …

(e) …;

(f) … and Measurement);

and

(g) non-current intangible assets classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Paragraph 79 is amended to read as follows:

79. ***… Amortisation shall cease at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with IFRS 5*** **Non-current Assets Held for Sale** ***and Discontinued Operations and the date that the asset is derecognised.***

Paragraph 106 is amended to read as follows:

106. Amortisation does not cease when the intangible asset is no longer used, unless the asset has been fully depreciated or is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with IFRS 5.

(*) As amended by IAS 16 in 2003.

Paragraph 107(e)(ii) is amended to read as follows:

(ii) assets classified as held for sale or included in a disposal group classified as held for sale in accordance with IFRS 5 and other disposals;

C13 IAS 38 *Intangible Assets* (as revised in 2004) is amended as described below.

Paragraph 3 is amended to read as follows:

3. … For example, this Standard does not apply to:

(a) …

(h) non-current intangible assets classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Paragraph 97 is amended to read as follows:

97. ***… Amortisation shall cease at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with IFRS 5*** **Non-current Assets Held for Sale and Discontinued Operations and the date that the asset is derecognised…**

Paragraph 117 is amended to read as follows:

117. Amortisation of an intangible asset with a finite useful life does not cease when the intangible asset is no longer used, unless the asset has been fully depreciated or is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with IFRS 5.

Paragraph 118(e)(ii) is amended to read as follows:

(ii) assets classified as held for sale or included in a disposal group classified as held for sale in accordance with IFRS 5 and other disposals;

C14 IAS 40 *Investment Properties*, as revised in 2003, is amended as described below.

Paragraph 9(a)is amended to read as follows:

(a) property intended for sale in the ordinary course of business…

Paragraph 56 is amended to read as follows:

56. ***After initial recognition, an entity that chooses the cost model shall measure all of its investment properties in accordance with IAS 16's requirements for that model other than those that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) in accordance with IFRS 5*** **Non-current Assets Held for Sale and Discontinued Operations.*****Investment properties that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) shall be measured in accordance with IFRS 5.***

Paragraph 76(c) is amended to read as follows:

(c) assets classified as held for sale or included in a disposal group classified as held for sale in accordance with IFRS 5 and other disposals;

Paragraph 79(d)(iii) is amended to read as follows:

(iii) assets classified as held for sale or included in a disposal group classified as held for sale in accordance with IFRS 5 and other disposals;

C15 IAS 41 *Agriculture* is amended as described below.

Paragraph 30 is amended to read as follows:

30. ***There is a presumption that fair value can be measured reliably for a biological asset. However, that presumption can be rebutted only on initial recognition for a biological asset for which market-determined prices or values are not available and for which alternative estimates of fair value are determined to be clearly unreliable. In such a case, that biological asset shall be measured at its cost less any accumulated depreciation and any accumulated impairment losses. Once the fair value of such a biological asset becomes reliably measurable, an entity shall measure it at its fair value less estimated point-of-sale costs. Once a non-current biological asset meets the criteria to be classified as held for sale (or is included in a disposal group that is classified as held for sale) in accordance with IFRS 5* Non-current Assets Held for Sale and Discontinued Operations*, it is presumed that fair value can be measured reliably.***

Paragraph 50(c) is amended to read as follows:

(c) decreases attributable to sales and biological assets classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with IFRS 5;

C16 IFRS 1 *First-time Adoption of International Financial Reporting Standards* is amended as described below.

Paragraph 12(b) is amended to read as follows:

(b) paragraphs 26-34B prohibit retrospective application of some aspects of other IFRSs.

Paragraph 26 is amended to read as follows:

26. This IFRS prohibits retrospective application of some aspects of other IFRSs relating to:

(a) …

(b) hedge accounting (paragraphs 28-30);

(c) estimates (paragraphs 31-34);

and

(d) assets classified as held for sale and discontinued operations.

Paragraph 34A is added as follows:

34A. IFRS 5 requires that it 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 IFRS. IFRS 5 permits an entity to apply the requirements of the IFRS to all non-current assets (or disposal groups) that meet the criteria to be classified as held for sale and operations that meet the criteria to be classified as discontinued after any date before the effective date of the IFRS, provided the valuations and other information needed to apply the IFRS were obtained at the time those criteria were originally met.

IFRS 5

Paragraph 34B is added as follows:

34B. An entity with a date of transition to IFRSs before 1 January 2005 shall apply the transitional provisions of IFRS 5. An entity with a date of transition to IFRSs on or after 1 January 2005 shall apply IFRS 5 retrospectively.

C17 IFRS 3 *Business Combinations* is amended as described below

Paragraph 36 is amended to read as follows:

36. **The acquirer shall, at the acquisition date, allocate the cost of a business combination by recognising the acquiree's identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria in paragraph 37 at their fair values at that date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Noncurrent Assets Held for Sale and Discontinued Operations*, which shall be recognised at fair value less costs to sell. Any difference…**

Paragraph 75(b) and (d) is amended to read as follows:

(b) additional goodwill recognised during the period except goodwill included in a disposal group that, on acquisition, meets the criteria to be classified as held for sale in accordance with IFRS 5;

(d) goodwill included in a disposal group classified as held for sale in accordance with IFRS 5 and goodwill derecognised during the period without having previously been included in a disposal group classified as held for sale;

C18 In International Financial Reporting Standards, including International Accounting Standards and Interpretations, applicable at 31 March 2004, references to 'discontinuing operations' are amended to 'discontinued operations'.