

Non-Current Assets Held For Sale - Council Policy

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Policy Owner	Chief Executive Officer
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1	16/03/2011	<i>Ordinary Meeting of Council</i>
2	17/08/2016	<i>Ordinary Meeting of Council</i>

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PURPOSE:

The purpose of this policy is to provide a framework for the treatment of non-current assets held for sale.

SCOPE:

This policy relates to all non-current assets that are held for sale.

POLICY:

1. To be classified as held for sale, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable.
2. A non-current asset or disposal group is classified as being held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.
3. A non-current asset held for sale is measured at the lower of its carrying amount and fair value less costs to sell (net fair value).
4. Assets held for sale are not to be depreciated/amortised, however they are subject to testing for indicators of impairment.
5. Assets meeting the criteria for classification as held for sale are to be shown separately on the face of the Statement of Financial Position as current assets. Liabilities associated with these held for sale assets are also to be shown separately.

A. BACKGROUND

AASB 5 *Noncurrent Assets held for Sale and Discontinued Operations* (AASB 5) applies to all non-current assets and groups of non-current assets (disposal groups) that have been withdrawn from use and for which a plan for their sale within the next year has been approved by management.

AASB 5 exempts investment assets from the application of this standard and therefore this policy does not apply to investment assets. Inventories held for sale in the normal course of business are also exempt.

Non-current assets that are acquired exclusively with a view to resale are not to be classified as current assets until they meet the criteria in AASB 5 to be so classified.

B. DISPOSAL GROUPS

A disposal group consists of a group of assets to be disposed of by sale or otherwise, together in a group in a single transaction and liabilities directly associated with those assets that will be transferred in the transaction.

If a non-current asset is part of a disposal group, the measurement requirements of AASB 5 apply to the group as a whole.

C. CRITERIA FOR RECOGNITION AS HELD FOR SALE

A non-current asset or disposal group is classified as being held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

To be classified as held for sale, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable.

Classification as 'Non-current Assets held for Sale' is permitted only when this criteria is met.



While one of the criteria for an asset to be classified as being held for sale is that the sale is expected to be completed within one year, there are some allowable exceptions to this. If a delay in the completion of the sale is caused by events or circumstances beyond the Council's control and there is sufficient evidence that the Council remains committed to its plan to sell the asset, then it may still be considered as held for sale.

An example may be where market conditions have deteriorated to the extent that the initial sale price is no longer viable. If management does not respond to the change in market conditions by reducing the sale price, for example, then the classification of the asset as being held for sale cannot be extended beyond the initial 12 month period.

Non-current assets (or disposal groups) that are abandoned are not classified as assets held for sale. These assets (or groups) include those that are to be used to the end of their useful lives and those that are to be disposed of other than through sale.

D. MEASUREMENT

A non-current asset held for sale is measured at the lower of its carrying amount and fair value less costs to sell (net fair value).

Assets held for sale are not to be depreciated/amortised, however they are subject to testing for indicators of impairment.

If the sale of the asset is expected to occur beyond one year, any costs to sell are to be measured at their present value. Any increase in the present value of the costs to sell that arises from the passage of time is shown in the Statement of Comprehensive Income as a financing cost.

Immediately prior to an asset being transferred to the class Assets held for Sale, a revaluation of the asset is to occur in compliance with the asset's relevant account standard (AASB 116 or AASB 138) and normal revaluation principles.

After reclassification of the asset, Council must ensure that the asset is recognised at the lower of its carrying amount and net fair value.

Any subsequent write-downs in Assets held for Sale are to be recognised as impairment losses. Any subsequent increase in the net fair value of any asset is recognised as a gain. However, the gain must not exceed the cumulative impairment losses that have been recognised, either while the asset was recorded as property, plant and equipment or held for sale.

Gains or losses recognised while the asset is classified as held for sale are to be taken to the Statement of Comprehensive Income. Any gains or losses which have not been recognised by the date of the sale of the asset are to be recognised at the date of de-recognition.

If Council 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 will continue to be measured as a group or if the group continues to meet the recognition criteria in paragraphs 7-9 of AASB 5.

E. CHANGES TO A PLAN OF SALE

If an asset which has been classified as held for sale no longer meets the recognition criteria, the asset must cease to classify the asset as held for sale, and the asset is to be measured at the lower of its:

- Carrying amount before the assets was classified as held for sale, adjusted for any depreciation/amortisation or revaluations that would have been recognised had the asset not been classified as held for sale; and
- Recoverable amount at the date of the subsequent decision not to sell.

Any required adjustments to the carrying amount of the asset are to be treated like a normal revaluation, with the amount shown in the Statement of Comprehensive Income, unless the asset has been revalued, in which case the adjustment is to be treated as a revaluation increase or decrease.



F. DISCLOSURE

Once assets meet the criteria for classification as held for sale, they are to be shown separately on the face of the Statement of Financial Position as current assets. The liabilities of a disposal group classified as held for sale are to be presented separately from other liabilities in the Statement of Financial Position. These assets and liabilities are not to be offset and presented as a single amount.

If the classification of an asset held for sale has changed from previous periods, the comparative information is not to be reclassified or re-presented on the Statement of Financial Position.



APPENDIX – CRITERIA TO TRANSFER NON-CURRENT ASSETS HELD FOR SALE CLASSIFICATION

TRANSFER TO/FROM	CRITERIA	TREATMENT
<p>Transfer to ‘Non-current assets classified as held for sale’</p>	<ul style="list-style-type: none"> • Is the non-current asset or disposal group available for immediate sale in its present condition? <p>Indicators:</p> <ul style="list-style-type: none"> ➢ The asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets; and ➢ To qualify as being available for an immediate sale in present condition, the sale terms should be vacant possession or without any condition of continuing use or occupation by the vendor 	<ul style="list-style-type: none"> • No – Held for sale classification criteria not satisfied • Yes – go to next criterion
	<ul style="list-style-type: none"> • Is the sale probable? <p>Indicators:</p> <ul style="list-style-type: none"> ➢ management’s commitment to a plan to sell ➢ initiation of an active program to locate a buyer and complete the plan ➢ active marketing for sale at a price commensurate with fair value ➢ expected completion of sale within 12 months from the classification date (however, a held for sale classification is not precluded if the Council remains committed to the sale and the period is extended beyond 12 months due to circumstances beyond the Council’s control) ➢ unlikely that the plan will be changed significantly or that the plan will be withdrawn 	<ul style="list-style-type: none"> • No – Held for sale classification criteria not satisfied • Yes – Classification as held for sale applies providing the criteria are met prior to the reporting date ➢ Non-current assets (or disposal group) measured at lower of carrying amount and fair value less costs to sell ➢ Recognise an impairment loss for any initial or subsequent write-down to fair value less costs to sell ➢ Recognise a gain for any subsequent increase in fair value less costs to sell, but not in excess of the cumulative impairment loss that has been recognised either in accordance with AASB 5 or previously with AASB 136. ➢ An impairment loss on a non-revalued asset is recognised in profit or loss. However, an impairment loss on a revalued asset is recognised directly against any revaluation surplus for the asset only prior to recognising as held for sale. ➢ Assets cease to be depreciated.

