

**Wayne Upton**  
**IFRS Interpretations Committee**  
**30 Cannon Street**  
**London**  
**EC4M 6XH**  
**United Kingdom**

***Ref: The IFRS Interpretations Committee's tentative agenda decisions on Application of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations***

Dear Mr Upton,

The European Securities and Markets Authority (ESMA) thanks you for the opportunity to respond to the IFRS Interpretations Committee's (IFRS IC) publication in the September 2015 IFRIC Update of a series of tentative agenda decisions related to the implementation issues arising from the application of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. We are pleased to provide you with the following comments with the aim of improving the consistent application and enforceability of IFRSs.

ESMA has considered the IFRS IC's tentative decision not to add to its agenda various application issues relating to the requirements of IFRS 5, and to wait until completion of the 2015 Agenda Consultation before further discussing them. These issues relate to:

- **scope:** whether IFRS 5 does apply to the loss of control in situations other than a loss of control through outright sale; and the accounting for disposal groups consisting mainly of financial instruments;
- **measurement:** how to account for situations where the difference between the carrying amount and the fair value less costs to sell of a disposal group exceeds the carrying amount of non-current assets in the disposal group; and whether the recognised impairment on assets including goodwill limits the amount of impairment reversal that can be recognised against other assets in the disposal group;
- **presentation:** how to apply the definition of 'discontinued operation' especially with regard to the notion of 'separate major line of business or geographical area of operations';
- the **timing** for recognising remeasurement adjustments on non-current assets held for sale and discontinued operations in situations where there is a change in the



disposal plan of a disposal group that consists of both a subsidiary and other non-current assets.

Many of these issues have been identified as part of European enforcer's enforcement activities and ESMA's coordination activities<sup>1</sup> and we are of the view that the absence of certain definitions in IFRS 5, together with the lack of implementation guidance results in different practices when classifying and measuring non-current assets held for sale and discontinued operations.

As the issues mentioned above potentially impair the relevance, comparability and understandability of financial statements and pose significant challenges in the enforcement of financial information, ESMA strongly encourages the IFRS IC to recommend the IASB to undertake a fundamental review of the existing standard. As set out in ESMA's response to the IASB's Request for Views on the 2015 Agenda Consultation<sup>2</sup>, this could be done either in the form of a research project or a post-implementation review.

Furthermore, ESMA specifically notes the IFRS IC's tentative decision not to add to its agenda the request to clarify how to present intragroup transactions between continuing and discontinued operations. Whilst we agree with the technical analysis, ESMA is concerned that the information provided in the statement of profit or loss and other comprehensive income may in some cases not result in useful information for assessing the financial effects of discontinued operations. ESMA recommends that the Interpretations Committee brings this issue to the IASB's attention with a request to address the issue further. ESMA notes and welcomes that in the draft agenda decision, the IFRS IC emphasises that "depending on the entity's facts and circumstances, it may have to provide additional disclosures in the notes to the financial statements in order to enable users to evaluate the financial effects of discontinued operations".

We would be happy to discuss these issues further with you.

Yours sincerely,



Steven Maijor

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<sup>1</sup> Letter to the IFRS IC, Agenda item request: Issues related to the application of IFRS 5 – Non-current assets held for sale and discontinued operations, 2 December 2013, ESMA/2013/1773

<sup>2</sup> Letter to the IASB, ESMA Response to the IASB Agenda Consultation, November 2015, Ref. ESMA/2015/1740