SSAP 33
STATEMENT OF STANDARD ACCOUNTING PRACTICE 33
DISCONTINUING OPERATIONS

(Issued October 2001)

The standards, which have been set in ***bold italic type***, should be read in the context of the background material and implementation guidance and in the context of the Foreword to Statements of Standard Accounting Practice, Interpretations and Accounting Guidelines. Statements of Standard Accounting Practice are not intended to apply to immaterial items (see paragraph 8 of the Foreword).

Objective

The objective of this Statement is to establish principles for reporting information about discontinuing operations, thereby enhancing the ability of users of financial statements to make projections of an enterprise's cash flows, earnings-generating capacity, and financial position by segregating information about discontinuing operations from information about continuing operations.

Scope

1. This Statement applies to all discontinuing operations of all enterprises.

Definitions

Discontinuing Operation

2. A discontinuing operation is a component of an enterprise:

(a) that the enterprise, pursuant to a single plan, is:

(i) disposing of substantially in its entirety, such as by selling the component in a single transaction, by demerger or spin-off of ownership of the component to the enterprise's shareholders;

(ii) disposing of piecemeal, such as by selling off the component's assets and settling its liabilities individually; or

(iii) terminating through abandonment;

(b) that represents a separate major line of business or geographical area of operations; and

(c) that can be distinguished operationally and for financial reporting purposes.

3. Under criterion (a) of the definition (paragraph 2(a)), a discontinuing operation may be disposed of in its entirety or piecemeal, but always pursuant to an overall plan to discontinue the entire component.

4. If an enterprise sells a component substantially in its entirety, the result can be a net gain or net loss. For such a discontinuance, there is a single date at which a binding sale agreement is entered into, although the actual transfer of possession and control of the discontinuing operation may occur at a later date. Also, payments to the seller may occur at the time of the agreement, at the time of the transfer, or over an extended future period.

5. Instead of disposing of a major component in its entirety, an enterprise may discontinue and dispose of the component by selling its assets and settling its liabilities piecemeal (individually or in small groups). For piecemeal disposals, while the overall result may be a net gain or a net loss, the sale of an individual asset or settlement of an individual liability may have the opposite effect. Moreover, there is no single date at which an overall binding sale agreement is entered into. Rather, the sales of assets and settlements of liabilities may occur over a period of months or perhaps even longer, and the end of a financial reporting period may occur part way through the disposal period. To qualify as a discontinuing operation, the disposal must be pursuant to a single co-ordinated plan.

6. An enterprise may terminate an operation by abandonment without substantial sales of assets. An abandoned operation would be a discontinuing operation if it satisfies the criteria in the definition. However, changing the scope of an operation or the manner in which it is conducted is not an abandonment because that operation, although changed, is continuing.

7. Business enterprises frequently close facilities, abandon products or even product lines, and change the size of their work force in response to market forces. While those kinds of terminations generally are not, in and of themselves, discontinuing operations as that term is used in this Statement, they can occur in connection with a discontinuing operation.

8. Examples of activities that do not necessarily satisfy criterion (a) of paragraph 2, but that might do so in combination with other circumstances, include:

   (a) gradual or evolutionary phasing out of a product line or class of service;

   (b) discontinuing, even if relatively abruptly, several products within an ongoing line of business;

   (c) shifting of some production or marketing activities for a particular line of business from one location to another;

   (d) closing of a facility to achieve productivity improvements or other cost savings; and

   (e) selling a subsidiary whose activities are similar to those of the parent or other subsidiaries.

9. A reportable business segment or geographical segment as defined in SSAP 26, Segment Reporting, would normally satisfy criterion (b) of the definition of a discontinuing operation (paragraph 2(b)), that is, it would represent a separate major line of business or geographical area of operations. A part of a segment as defined in SSAP 26 may also satisfy criterion (b) of the definition. For an enterprise that operates in a single business or geographical segment and therefore does not report segment information, a major product or service line may also satisfy the criteria of the definition.

10. SSAP 26 permits, but does not require, that different stages of vertically integrated operations be identified as separate business segments. Such vertically integrated business segments may satisfy criterion (b) of the definition of a discontinuing operation.

11. A component can be distinguished operationally and for financial reporting purposes - criterion (c) of the definition (paragraph 2(c)) - if:

   (a) its operating assets and liabilities can be directly attributed to it;

   (b) its income (gross revenue) can be directly attributed to it; and

   (c) at least a majority of its operating expenses can be directly attributed to it.

12. Assets, liabilities, income, and expenses are directly attributable to a component if they would be eliminated when the component is sold, abandoned or otherwise disposed of. Interest and other financing cost is attributed to a discontinuing operation only if the related debt is similarly attributed.

13. As defined in this Statement, discontinuing operations are expected to occur relatively infrequently. Some changes that are not classified as discontinuing operations may qualify as restructurings (see SSAP 28, Provisions, Contingent Liabilities and Contingent Assets).

14. Also, some infrequently occurring events that do not qualify either as discontinuing operations or restructurings may result in items of income or expense that require separate disclosure pursuant to SSAP 2, Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies, because their size, nature, or incidence make them relevant to explain the performance of the enterprise for the period.

15. The fact that a disposal of a component of an enterprise is classified as a discontinuing operation under this Statement does not, in itself, bring into question the enterprise's ability to continue as a going concern. SSAP 1, Presentation of Financial Statements, requires disclosure of uncertainties relating to an enterprise's ability to continue as a going concern and of any conclusion that an enterprise is not a going concern.

Initial Disclosure Event

16. With respect to a discontinuing operation, the initial disclosure event is the occurrence of one of the following, whichever occurs earlier:

(a) the enterprise has entered into a binding sale agreement for substantially all of the assets attributable to the discontinuing operation; or

(b) the enterprise's board of directors or similar governing body has both (i) approved a detailed, formal plan for the discontinuance and (ii) made an announcement of the plan.

Recognition and Measurement

17. An enterprise should apply the principles of recognition and measurement that are set out in other Statements of Standard Accounting Practice for the purpose of deciding when and how to recognise and measure the changes in assets and liabilities and the income, expenses, and cash flows relating to a discontinuing operation.

18. This Statement does not establish any recognition and measurement principles. Rather, it requires that an enterprise follow recognition and measurement principles established in other Statements. Two Statements that are likely to be relevant in this regard are:

(a) SSAP 31, Impairment of Assets; and

(b) SSAP 28, Provisions, Contingent Liabilities and Contingent Assets.

19. Other Statements that may be relevant include SSAP 17, Property, Plant and Equipment, with respect to disposals of those kinds of assets.

Provisions

20. A discontinuing operation is a restructuring as that term is defined in SSAP 28, Provisions, Contingent Liabilities and Contingent Assets. SSAP 28 provides guidance for certain of the requirements of this Statement, including:

(a) what constitutes a "detailed, formal plan for the discontinuance" as that term is used in paragraph 16(b) of this Statement; and

(b) what constitutes an "announcement of the plan" as that term is used in paragraph 16(b) of this Statement.

21. SSAP 28 defines when a provision should be recognised. In some cases, the event that obligates the enterprise occurs after the end of a financial reporting period but before the financial statements for that period have been authorised for issue. Paragraph 29 of this Statement requires disclosures about a discontinuing operation in such cases.

Impairment Losses

22. The approval and announcement of a plan for discontinuance is an indication that the assets attributable to the discontinuing operation may be impaired or that an impairment loss previously recognised for those assets should be increased or reversed. Therefore, in accordance with SSAP 31, Impairment of Assets, an enterprise estimates the recoverable amount of each asset of the discontinuing operation (the higher of the asset's net selling price and its value in use) and recognises an impairment loss or reversal of a prior impairment loss, if any.

23. In applying SSAP 31 to a discontinuing operation, an enterprise determines whether the recoverable amount of an asset of a discontinuing operation is assessed for the individual asset or for the asset's cash-generating unit (defined in SSAP 31 as the smallest identifiable group of assets that includes the asset under review and that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets). For example:

    (a) if the enterprise sells the discontinuing operation substantially in its entirety, none of the assets of the discontinuing operation generate cash inflows independently from other assets within the discontinuing operation. Therefore, recoverable amount is determined for the discontinuing operation as a whole and an impairment loss, if any, is allocated among the assets of the discontinuing operation in accordance with SSAP 31;

    (b) if the enterprise disposes of the discontinuing operation in other ways such as piecemeal sales, the recoverable amount is determined for individual assets, unless the assets are sold in groups; and

    (c) if the enterprise abandons the discontinuing operation, the recoverable amount is determined for individual assets as set out in SSAP 31.

24. After announcement of a plan, negotiations with potential purchasers of the discontinuing operation or actual binding sale agreements may indicate that the assets of the discontinuing operation may be further impaired or that impairment losses recognised for these assets in prior periods may have decreased. As a consequence, when such events occur, an enterprise re-estimates the recoverable amount of the assets of the discontinuing operation and recognises resulting impairment losses or reversals of impairment losses in accordance with SSAP 31.

25. A price in a binding sale agreement is the best evidence of an asset's (cash-generating unit's) net selling price or of the estimated cash inflow from ultimate disposal in determining the asset's (cash-generating unit's) value in use.

26. The carrying amount (recoverable amount) of a discontinuing operation includes the carrying amount (recoverable amount) of any goodwill that can be allocated on a reasonable and consistent basis to that discontinuing operation.

Presentation and Disclosure

Initial Disclosure

27. An enterprise should include the following information relating to a discontinuing operation in its financial statements beginning with the financial statements for the period in which the initial disclosure event (as defined in paragraph 16) occurs:

    (a) a description of the discontinuing operation;

(b) the business or geographical segment(s) in which it is reported in accordance with SSAP 26;

(c) the date and nature of the initial disclosure event;

(d) the date or period in which the discontinuance is expected to be completed if known or determinable;

(e) the carrying amounts, as of the balance sheet date, of the total assets and the total liabilities to be disposed of;

(f) the amounts of turnover, other revenue, expenses, and pre-tax profit or loss from ordinary activities attributable to the discontinuing operation during the current financial reporting period, and the income tax expense relating thereto; and

(g) the amounts of net cash flows attributable to the operating, investing, and financing activities of the discontinuing operation during the current financial reporting period.

28. In measuring the assets, liabilities, revenues, expenses, gains, losses, and cash flows of a discontinuing operation for the purpose of the disclosures required by this Statement, such items can be attributed to a discontinuing operation if they will be disposed of, settled, reduced, or eliminated when the discontinuance is completed. To the extent that such items continue after completion of the discontinuance, they should not be allocated to the discontinuing operation.

29. If an initial disclosure event occurs after the end of an enterprise's financial reporting period but before the financial statements for that period are authorised for issue, those financial statements should include the disclosures specified in paragraph 27 for the period covered by those financial statements.

30. For example, the board of directors of an enterprise whose financial year ends 31 December 20x5 approves a plan for a discontinuing operation on 15 December 20x5 and announces that plan on 10 January 20x6. The board authorises the financial statements for 20x5 for issue on 20 March 20x6. The financial statements for 20x5 include the disclosures required by paragraph 27.

Other Disclosures

31. When an enterprise disposes of assets or settles liabilities attributable to a discontinuing operation or enters into binding agreements for the sale of such assets or the settlement of such liabilities, it should include in its financial statements the following information when the events occur:

(a) for any gain or loss that is recognised on the disposal of assets or settlement of liabilities attributable to the discontinuing operation, (i) the amount of the pre-tax gain or loss and (ii) income tax expense relating to the gain or loss; and

(b) the net selling price or range of prices (which is after deducting the expected disposal costs) of those net assets for which the enterprise has entered into one or more binding sale agreements, the expected timing of receipt of those cash flows, and the carrying amount of those net assets.

32. The asset disposals, liability settlements, and binding sale agreements referred to in the preceding paragraph may occur concurrently with the initial disclosure event, or in the period in which the initial disclosure event occurs, or in a later period. In accordance with SSAP 9, Events After the Balance Sheet Date, if some of the assets attributable to a discontinuing operation have actually been sold or are the subject of one or more binding sale agreements entered into after the financial year end but before the board approves the financial statements for issue, the financial statements include the disclosures required by paragraph 31 if non-disclosure would affect the ability of the users of the financial statements to make proper evaluations and decisions.

Updating the Disclosures

33. In addition to the disclosures in paragraphs 27 and 31, an enterprise should include in its financial statements for periods subsequent to the one in which the initial disclosure event occurs a description of any significant changes in the amount or timing of cash flows relating to the assets and liabilities to be disposed of or settled and the events causing those changes.

34. Examples of events and activities that would be disclosed include the nature and terms of binding sale agreements for the assets, a demerger of the assets via spin-off of a separate equity security to the enterprise's shareholders, and legal or regulatory approvals.

35. The disclosures required by paragraphs 27-34 should continue in financial statements for periods up to and including the period in which the discontinuance is completed. A discontinuance is completed when the plan is substantially completed or abandoned, though payments from the buyer(s) to the seller may not yet be completed.

36. If an enterprise abandons or withdraws from a plan that was previously reported as a discontinuing operation, that fact and its effect should be disclosed.

37. For the purpose of applying the preceding paragraph, disclosure of the effect includes reversal of any prior impairment loss or provision that was recognised with respect to the discontinuing operation.

Separate Disclosure for Each Discontinuing Operation

38. Any disclosures required by this Statement should be presented separately for each discontinuing operation.

Presentation of the Required Disclosures

Face of Financial Statements or Notes

39. The disclosures required by paragraphs 27-37 may be presented either in the notes to the financial statements or on the face of the financial statements except that the disclosure of the amount of the pre-tax gain or loss recognised on the disposal of assets or settlement of liabilities attributable to the discontinuing operation (paragraph 31(a)) should be shown on the face of the income statement.

40. The disclosures required by paragraphs 27(f) and 27(g) are encouraged to be presented on the face of the income statement and cash flow statement, respectively.

Not an Extraordinary Item

41. A discontinuing operation should not be presented as an extraordinary item.

42. SSAP 2 defines extraordinary items as "income or expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the enterprise and therefore are not expected to recur frequently or regularly". The two examples of extraordinary items cited in SSAP 2 are expropriations of assets and natural disasters, both of which are types of events that are not within the control of the management of the enterprise. As defined in this Statement, a discontinuing operation must be based on a single plan by an enterprise's management to sell or otherwise dispose of a major portion of the business.

Restricted Use of the Term "Discontinuing Operation"

43. A restructuring, transaction, or event that does not meet the definition of a discontinuing operation in this Statement should not be called a discontinuing operation.

Illustrative Disclosures

44. Appendix 1 provides examples of the presentation and disclosures required by this Statement.

Restatement of Prior Periods

45. Comparative information for prior periods that is presented in financial statements prepared after the initial disclosure event should be restated to segregate continuing and discontinuing assets, liabilities, income, expenses, and cash flows in a manner similar to that required by paragraphs 27-43.

46. Appendix 2 illustrates application of the preceding paragraph.

Disclosure in Interim Financial Reports

47. The notes to an interim financial report should describe any significant activities or events since the end of the most recent annual reporting period relating to a discontinuing operation and any significant changes in the amount or timing of cash flows relating to the assets and liabilities to be disposed of or settled.

48. This principle is consistent with the approach in SSAP 25, Interim Financial Reporting, that the notes to an interim financial report are intended to explain significant changes since the last annual reporting date.

Effective Date

49. The accounting practices set out in this Statement should be regarded as standard in respect of financial statements relating to periods beginning on or after 1 January 2002. Earlier adoption is encouraged but not required.

50. This Statement supersedes paragraphs 4 and 18-21 and the definition of discontinued operations in paragraph 5 of SSAP 2, Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies.

Compliance with International Accounting Standards

51. Compliance with this Statement ensures compliance in all material respects with International Accounting Standard IAS 35, Discontinuing Operations.

Appendix 1

Illustrative Disclosures

This appendix is illustrative only and does not form part of the standards. The purpose of the appendix is to illustrate the application of the standards to assist in clarifying their meaning.

Facts

1. X Company has three segments, A, B, and C. Segment C (the clothing division) is deemed inconsistent with the long-term direction of the Company. Management has decided, therefore, to dispose of Segment C. On 15 November 20x1 the board of directors of X Company voted to approve the disposal, and an announcement was made. On that date, the carrying amount of Segment COs net assets was 90 (assets of 105 minus liabilities of 15). The net recoverable amount of the assets carried at 105 was determined to be 85, and the Company had concluded that a pre-tax impairment loss of 20 should be recognised. At 31 December 20x1, the carrying amount of Segment COs net assets was 70 (assets of 85 minus liabilities of 15). There was no further impairment of assets between 15 November and 31 December when the financial statements were prepared.

2. On 30 September 20x2, when the carrying amount of the net assets of Segment C continued to be 70, X Company signed a legally binding contract to sell Segment C. The sale is expected to be completed by 31 January 20x3. The recoverable amount of the net assets is 60. Based on that amount, Statements of Standard Accounting Practice require that an additional impairment loss of 10 must be recognised. In addition, prior to 31 January 20x3, the sale contract obliges X Company to terminate the employment of certain employees of Segment C, incurring an expected termination cost of 30, to be paid by 30 June 20x3. Statements of Standard Accounting Practice would require that a liability and related expense be recognised in this amount. The Company continued to operate Segment C throughout 20x2. At 31 December 20x2, the carrying amount of Segment COs net assets is now 45, consisting of assets of 80 minus liabilities of 35 (including the provision for expected termination cost of 30). The corporate income tax rate is 30 per cent.

3. X Company prepares its financial statements annually as of 31 December.

Financial Statements for 20x1

Note to Financial Statements for 20x1

4. The following is a note to X Company's financial statements:

   On 15 November 20x1, the board of directors announced a plan to dispose of Segment C, our clothing division. The disposal is consistent with the Company's long-term strategy to focus its activities in the areas of food and beverage manufacture and distribution, and to divest unrelated activities. The Company is actively seeking a buyer for Segment C and hopes to complete the sale by the end of 20x2. At 31 December 20x1, the carrying amount of the assets of Segment C was 85 and its liabilities were 15. During 20x1, Segment C earned revenue of 50, incurred expenses of 52, and incurred a pre-tax operating loss of 2, with a related tax benefit to the enterprise of 1. During 20x1, Segment COs cash outflow from operating activities was 4, cash outflow from investing activities was 7, and cash inflow from financing activities was 3.

Financial Statements for 20x2

Balance Sheet at 31 December 20x2

5. The carrying amounts of Segment COs total assets and total liabilities at 31 December 20x2 must be disclosed.

Income Statement for 20x2

6. The income statement of the enterprise for the years 20x1 and 20x2 could be presented as follows. Note that Year 20x1 has been restated to segregate the discontinuing and continuing operations, as required by paragraph 45 of this Statement:

	Continuing Operations (Segments A & B)		**Discontinuing Operation (Segment C)**		**Enterprise as a Whole**	
	20x2	**20x1**	**20x2**	**20x1**	**20x2**	**20x1**
Turnover	100	90	40	50	140	140
Operating expenses	(60)	(65)	(30)	(27)	(90)	(92)
Impairment loss	-	-	(10)	(20)	(10)	(20)
Provision for employee termination	-	-	(30)	-	(30)	-
Profit (loss) from operations	40	25	(30)	3	10	28
Interest	(20)	(10)	(5)	(5)	(25)	(15)
Profit (loss) before tax	20	15	(35)	(2)	(15)	13
Taxation	(6)	(7)	10	1	4	(6)
Profit (loss) after tax	14	8	(25)	(1)	(11)	7

7. As an alternative to the foregoing income statement presentation, note disclosure is allowed.

Cash Flow Statement for 20x2

8. Cash flows relating to continuing and discontinuing operations could be segregated on the face of the cash flow statement for 20x2. Alternatively, note disclosure is allowed. Presentation format options for the face of the cash flow statement include those with continuing and discontinuing shown in separate columns or with continuing and discontinuing separately subtotalled in a single column.

Note to Financial Statements for 20x2

9. The following is a note to X Company's financial statements:

On 15 November 20x1, the board of directors announced a plan to dispose of Segment C, our clothing division. On 30 September 20x2, the Company signed a contract to sell Segment C to Z Corporation for 60. The Company decided to dispose of Segment C because its operations are in areas apart from the core business areas (food and beverage manufacture and distribution) that form the long-term direction of the Company. Further, Segment COs rate of return has not been equal to that of the Company's other two segments during the period. Segment COs assets were written down by 10 (before income tax benefit of 3) to their net recoverable amount. The Company recognised a provision for termination benefits of 30 (before income tax benefit of 9) to be paid by 30 June 20x3 to certain employees of Segment C whose jobs will be terminated as a result of the sale. The process of selling Segment C was completed by 31 January 20x3. The Company recognised the related deferred income tax asset of 4 because the management of the Company believes it is probable that the continuing operations of Segments A and B will earn sufficient taxable profit to allow the benefit of that deferred tax asset to be utilised.

Financial Statements for 20x3

10. The financial statements for 20x3, or the notes to the financial statements, would segregate the continuing and discontinued operations in a manner similar to 20x2. Data for years prior to 20x3 presented for comparative purposes would be similarly segregated. The notes to the financial statements for 20x3 would include all of the disclosures required by paragraph 35 of this Statement, including the fact that the discontinuance was completed.

Gain on Disposal

11. To change the facts of the example slightly, on 30 September 20x2 (when the carrying amount of Segment COs net assets was 70) X Company signed a binding contract to sell Segment C for 120, rather than 60. The contract continued to oblige the Company for the employee termination costs of 30. In that case, an impairment loss would not have been recognised in 20x2. The 30 pre-tax provision would be recognised as a liability and an expense in 20x2. In 20x3, a pre-tax gain on disposal of 50 will be recognised when the transaction is completed and, in accordance with paragraph 39, will be presented on the face of the income statement.

12. The following is an example of how the 20x3 income statement might appear:

	Continuing Operations (Segments A & B)		Discontinuing Operation (Segment C)		Enterprise as a Whole	
	20x3	**20x2**	**20x3**	**20x2**	**20x3**	**20x2**
Turnover	150	100	3	40	153	140
Expenses	(102)	(60)	(5)	(30)	(107)	(90)
Provision for employee termination	-	-	-	(30)	-	(30)
Gain on discontinuance of Segment C (see note 1)	-	-	50	-	50	-
Profit (loss) from operations	48	40	48	(20)	96	20
Interest	(20)	(20)	-	(5)	(20)	(25)
Profit (loss) before tax	28	20	48	(25)	76	(5)
Taxation	(10)	(6)	(15)	7	(25)	1
Profit (loss) after tax	18	14	33	(18)	51	(4)

Note 1: Gain on discontinuance of segment C gave rise to taxation of 15 which is included in taxation for the year 20x3.

Appendix 2

Classification of Prior Period Operations

This appendix is illustrative only and does not form part of the standards. The purpose of the appendix is to illustrate the application of the standards to assist in clarifying their meaning.

Facts

1. Paragraph 45 requires that comparative information for prior periods that is presented in financial statements prepared after the initial disclosure event be restated to segregate continuing and discontinuing assets, liabilities, income, expenses, and cash flows in a manner similar to that required by paragraphs 27-43.

2. Consider the following set of changes to an enterprise:

   (a) operations A, B, C, and D were all continuing in years 1 and 2;

   (b) in year 3, operation D is discontinued (approved for disposal and actually disposed of);

   (c) in year 4, operation B is discontinued (approved for disposal and actually disposed of) and operation E is acquired; and

   (d) in year 5 operation F is acquired.

3. The following table illustrates the classification of continuing and discontinuing operations in the foregoing circumstances:

FINANCIAL STATEMENTS FOR YEAR 3 (Approved and Published Early in Year 4)			
Year 2 Comparatives		**Year 3**	
Continuing	**Discontinuing**	**Continuing**	**Discontinuing**
A		**A**	
B		**B**	
C		**C**	
	D		**D**

FINANCIAL STATEMENTS FOR YEAR 4 (Approved and Published Early in Year 5)			
Year 3 Comparatives		**Year 4**	
Continuing	**Discontinuing**	**Continuing**	**Discontinuing**
A		**A**	
	B		**B**
C		**C**	
	D		
		E	

FINANCIAL STATEMENTS FOR YEAR 5 (Approved and Published Early in Year 6)			
Year 4 Comparatives		**Year 5**	
Continuing	**Discontinuing**	**Continuing**	**Discontinuing**
A		**A**	
	B		
C		**C**	
E		**E**	
		F	

4. If the approval and announcement of the discontinuance of operation B had occurred early in year 4, before the financial statements for year 3 had been authorised for issue by the enterprise's board of directors, operation B would have been classified as a discontinuing operation in the financial statements for year 3 and the year 2 comparatives, as follows:

FINANCIAL STATEMENTS FOR YEAR 3 (Approved in Year 4 After the Discontinuance of Operation B was Approved and Announced)			
Year 2 Comparatives		**Year 3**	
Continuing	**Discontinuing**	**Continuing**	**Discontinuing**
A		**A**	
	B		**B**
C		**C**	
	D		**D**

5. If, for whatever reason, five-year comparative financial statements were prepared in year 5, the classification of continuing and discontinuing operations would be as follows:

FINANCIAL STATEMENTS FOR YEAR 5									
Year 1 Comparatives		**Year 2 Comparatives**		**Year 3 Comparatives**		**Year 4 Comparatives**		**Year 5**	
Cont.	**Disc.**	**Cont.**	**Disc.**	**Cont.**	**Disc.**	**Cont.**	**Disc.**	**Cont.**	**Disc.**
A		**A**		**A**		**A**		**A**	
	B		**B**		**B**		**B**		
C		**C**		**C**		**C**		**C**	
	D		**D**		**D**				
						E		**E**	
								F	

Appendix 3

Changes from International Accounting Standard 35 "Discontinuing operations"

The purpose of this appendix is to summarise the major changes made to the equivalent International Accounting Standard when adopting it in Hong Kong and the reasons for such changes. It does not form part of the standards and should be read in the context of the full text of the Statement.

Changes	Reasons for the Changes
(i) SSAP 33 Para 27(f) vs IAS 35 Para 27(f) The requirement to disclose the amounts of revenue attributable to a discontinuing operation is changed to the requirement to disclose the amounts of turnover and other revenue.	This change is to match with the requirement of SSAP 1 "Presentation of financial statements" to disclose "turnover" and "other revenue" separately in the income statement.
(ii) SSAP 33 Para 19 vs IAS 35 Para 19 A cross-reference to IAS 19 "Employee benefits" is deleted.	There is currently no SSAP equivalent to IAS 19. However, there is an exposure draft in issue that is closely modelled on IAS 19.
(iii) SSAP 33 Paras 27(f) and 31(a) vs IAS 35 Paras 27(f) and 31(a) Cross-references to paragraph 81(h) of IAS 12 "Income taxes" are deleted.	There is currently no SSAP equivalent to IAS 12 concerning disclosure of income tax expense. However, the Society will soon issue an exposure draft that is closely modelled on IAS 12.