AASB Interpretation

Interpretation 129
August 2015

Service Concession Arrangements: Disclosures

Australian Government

Australian Accounting Standards Board

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AASB Interpretation 129 *Service Concession Arrangements: Disclosures* is set out in paragraphs 1 – Aus7.2 and Appendix A. Interpretations are listed in Australian Accounting Standard AASB 1048 *Interpretation of Standards* and AASB 1057 *Application of Australian Accounting Standards* sets out their application. In the absence of explicit guidance, AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies.

Comparison with SIC-29

AASB Interpretation 129 *Service Concession Arrangements: Disclosures* incorporates Interpretation SIC-29 *Service Concession Arrangements: Disclosures* issued by the International Accounting Standards Board (IASB). Australian-specific paragraphs (which are not included in SIC-29) are identified with the prefix "Aus". Paragraphs that apply only to not-for-profit entities begin by identifying their limited applicability.

Tier 1

For-profit entities complying with AASB Interpretation 129 also comply with SIC-29.

Not-for-profit entities' compliance with SIC-29 will depend on whether any "Aus" paragraphs that specifically apply to not-for-profit entities provide additional guidance or contain applicable requirements that are inconsistent with SIC-29.

Tier 2

Entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements (Tier 2) will not be in compliance with IFRSs.

AASB 1053 *Application of Tiers of Australian Accounting Standards* explains the two tiers of reporting requirements.

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References

- AASB 101 *Presentation of Financial Statements*
- AASB 116 *Property, Plant and Equipment*
- AASB 117 *Leases*
- AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*
- AASB 138 *Intangible Assets*
- Interpretation 12 *Service Concession Arrangements*

Issue

1 An entity (the operator) may enter into an arrangement with another entity (the grantor) to provide services that give the public access to major economic and social facilities. The grantor may be a public or private sector entity, including a governmental body. Examples of service concession arrangements involve water treatment and supply facilities, motorways, car parks, tunnels, bridges, airports and telecommunication networks. Examples of arrangements that are not service concession arrangements include an entity outsourcing the operation of its internal services (eg employee cafeteria, building maintenance, and accounting or information technology functions).

2 A service concession arrangement generally involves the grantor conveying for the period of the concession to the operator:

(a) the right to provide services that give the public access to major economic and social facilities, and

(b) in some cases, the right to use specified tangible assets, intangible assets, or financial assets,

in exchange for the operator:

(c) committing to provide the services according to certain terms and conditions during the concession period, and

(d) when applicable, committing to return at the end of the concession period the rights received at the beginning of the concession period and/or acquired during the concession period.

3 The common characteristic of all service concession arrangements is that the operator both receives a right and incurs an obligation to provide public services.

4 The issue is what information should be disclosed in the notes in the financial statements of an operator and a grantor.

5 Certain aspects and disclosures relating to some service concession arrangements are already addressed by existing Australian Accounting Standards (eg AASB 116 applies to acquisitions of items of property, plant and equipment, AASB 117 applies to leases of assets, and AASB 138 applies to acquisitions of intangible assets). However, a service concession arrangement may involve executory contracts that are not addressed in Australian Accounting Standards, unless the contracts are onerous, in which case AASB 137 applies. Therefore, this Interpretation addresses additional disclosures of service concession arrangements.

Consensus

6 All aspects of a service concession arrangement shall be considered in determining the appropriate disclosures in the notes. An operator and a grantor shall disclose the following in each period:

(a) a description of the arrangement;

(b) significant terms of the arrangement that may affect the amount, timing and certainty of future cash flows (eg the period of the concession, re-pricing dates and the basis upon which re-pricing or re-negotiation is determined);

(c) the nature and extent (eg quantity, time period or amount as appropriate) of:

(i) rights to use specified assets;

(ii) obligations to provide or rights to expect provision of services;

(iii) obligations to acquire or build items of property, plant and equipment;

(iv) obligations to deliver or rights to receive specified assets at the end of the concession period;

(v) renewal and termination options; and

(vi) other rights and obligations (eg major overhauls);

(d) changes in the arrangement occurring during the period; and

(e) how the service arrangement has been classified.

6A An operator shall disclose the amount of revenue and profits or losses recognised in the period on exchanging construction services for a financial asset or an intangible asset.

7 The disclosures required in accordance with paragraph 6 of this Interpretation shall be provided individually for each service concession arrangement or in aggregate for each class of service concession arrangements. A class is a grouping of service concession arrangements involving services of a similar nature (eg toll collections, telecommunications and water treatment services).

Date of consensus

[Deleted by the AASB]

Withdrawal of AASB pronouncements

Aus7.1 When applied or operative, this Interpretation supersedes Interpretation 129 *Service Concession Arrangements: Disclosures* issued in February 2007.

Effective date

[Deleted by the AASB]

Aus7.2 This Interpretation applies to annual reporting periods beginning on or after 1 January 2016. Earlier application is permitted for periods beginning on or after 1 January 2014 but before 1 January 2016.

Appendix A
Australian reduced disclosure requirements

This appendix is an integral part of the Interpretation.

AusA1 **Paragraphs 6, 6A and 7 of this Interpretation do not apply to entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements. Entities applying Australian Accounting Standards – Reduced Disclosure Requirements may elect to comply with some or all of these excluded requirements.**

AusA2 The requirements that do not apply to entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements are also identified in this Interpretation by shading of the relevant text.

Basis for Conclusions on
SIC-29 *Service Concession Arrangements: Disclosures*

This Basis for Conclusions accompanies, but is not part of, AASB Interpretation 129. An SIC Basis for Conclusions may be amended to reflect any additional requirements in the AASB Interpretation or AASB Accounting Standards.

[The original text of paragraphs 8 and 9 has been marked up to reflect the revision of IAS 1 in 2003 and 2007 and the issue of IFRIC 12 in 2006: new text is underlined and deleted text is struck through.]

8 Paragraph 15 of the *Framework for the Preparation and Presentation of Financial Statements* [1] states that the economic decisions taken by users of financial statements require an evaluation of the ability of the entity to generate cash and cash equivalents and of the timing and certainty of their generation. Paragraph 21 of the *Framework*[1] states that financial statements also contain notes and supplementary schedules and other information. For example, they may contain additional information that is relevant to the needs of users about the items in the statement of financial position ~~balance sheet~~ and statement of comprehensive income ~~statement~~. They may also include disclosures about the risks and uncertainties affecting the entity and any resources and obligations not recognised in the statement of financial position ~~balance sheet~~.

9 A service concession arrangement often has provisions or significant features that warrant disclosure of information necessary to assist in assessing the amount, timing and certainty of future cash flows, and the nature and extent of the various rights and obligations involved. The rights and obligations associated with the services to be provided usually involve a high level of public involvement (eg to provide electricity to a city). Other obligations could include significant acts such as building an infrastructure asset (eg power plant) and delivering that asset to the ~~Concession Provider~~ grantor at the end of the concession period.

The text of paragraph 10 has been marked up to reflect the revision of IAS 1 in 2007. Previous amendments to the paragraph, reflecting the revision of IAS 1 in 2003, have been incorporated into the text to avoid confusion with the new amendments in 2007.

10 IAS 1.112(c)~~103(c)~~ requires an entity's notes to provide additional information that is not presented elsewhere in the financial statements ~~on the face of the balance sheet, income statement, statement of changes in equity or cash flow statement~~, but is relevant to an understanding of any of them. The definition of notes in IAS 1.7~~11~~ indicates that notes provide narrative descriptions or disaggregations of items disclosed in the statement of financial position ~~balance sheet~~, statement of comprehensive income, separate income statement (if presented), statement of changes in equity and statement of cash flows ~~statement~~, as well as information about items that do not qualify for recognition in those statements.

1 superseded by Chapter 1 of the *Conceptual Framework*. References to the *Framework* are to IASC's *Framework for the Preparation and Presentation of Financial Statements*, adopted by the IASB in 2001. In September 2010 the IASB replaced the *Framework* with the *Conceptual Framework for Financial Reporting*.

Deleted SIC-29 text

Deleted SIC-29 text is not part of AASB Interpretation 129.

Date of consensus

May 2001

Effective date

This Interpretation becomes effective on 31 December 2001.

An entity shall apply the amendment in paragraphs 6(e) and 6A for annual periods beginning on or after 1 January 2008. If an entity applies IFRIC 12 for an earlier period, the amendment shall be applied for that earlier period.