Australian Government
Australian Accounting Standards Board

Staff Paper

Project:	**Service Concession Arrangements – Grantors**	**Meeting:**	AASB December 2016 (M155)
Topic:	**Redeliberation of Issues Raised by Constituents**	**Agenda Item:**	3.1
		Date:	28 November 2016
Contact(s):	Daen Soukseun dsoukseun@aasb.gov.au (03) 9617 7633 Clark Anstis canstis@aasb.gov.au (03) 9617 7616 Kala Kandiah kkandiah@aasb.gov.au (03) 9617 7626	**Project Priority:** **Decision-Making:** **Project Status:**	High High Redeliberations

Introduction and objective of this paper

1 The objective of this paper is to obtain Board decisions to address the remaining issues raised by constituents on the accounting for service concession arrangements by grantors.

2 This paper is structured as follows:

(a) Background (paragraphs 3-4);

(b) Staff analysis (paragraphs 5-64);

(c) Appendix A: Marked-up changes to ED 261 *Service Concession Arrangements: Grantor* (May 2015); and

(d) Appendix B: Extracts of IPSAS 32 *Service Concession Arrangements: Grantor* (October 2011).

Background

3 ED 261[1] contains the following proposals:

(a) the Standard applies to "arrangements that involve an operator providing a public service related to a service concession asset on behalf of the grantor" (ED 261.5). Appendix A of ED 261 contains proposed definitions of a 'public service' and other defined terms;

(b) to cross-reference the accounting for 'other revenues' to AASB 10XX *Income of Not-for-Profit Entities* and to include an Illustrative Example that covers accounting for lifecycle costs;

(c) detailed disclosure requirements; and

(d) an effective date of annual reporting periods beginning 1 January 2017 and transitional provisions for either full or modified retrospective application of the Standard.

4 Staff obtained input from the Service Concession Arrangements: Grantor Project Advisory Panel in the analysis of the majority of issues in this Paper.

Staff analysis

5 Staff analysis on the remaining issues for Board deliberation on the service concession arrangements project are:

(a) Issue 1: Defined terms, including the characteristics of a 'public service';

(b) Issue 2: Accounting for 'other revenues' and lifecycle costs;

(c) Issue 3: Effective date;

(d) Issue 4: Transition; and

(e) Issue 5: Disclosures.

Issue 1: Defined terms

(i) Public service

6 ED 261 proposed the Standard applies to "arrangements that involve an operator providing a public service related to a service concession asset on behalf of the grantor" (paragraph 5).

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[1] Link to Exposure Draft ED 261 *Service Concession Arrangements: Grantor* http://www.aasb.gov.au/admin/file/content105/c9/ACCED261_05-15.pdf

7 ED 261 provides a definition for 'public service'. Constituents commented in their feedback on ED 261[2] that while they support the inclusion of a 'public service'[3] definition, they find the proposed definition unclear.

8 The Board at its June 2016 meeting decided, instead of providing a definition for 'public service', the Standard should include indicators to demonstrate the existence of 'service to the public'.

9 The Project Advisory Panel, in its November 2016 meeting, acknowledged the difficulty of providing guidance on indicators to evidence public service is similar to the difficulty of developing a definition for 'public service'. The Panel concluded the main focus of the guidance is to:

(a) draw out the key features of a public service;

(b) emphasise judgement is required in assessing whether an asset provides a public service; and

(c) emphasise that for an asset to be recognised as a service concession asset, the grantor must control and regulate the asset as specified in paragraph 8 of the Standard.

10 Staff propose to include the indicators of a 'public service' set out in draft paragraphs AG4A-AG4D of the draft Standard (refer Appendix A).

Questions to the Board

Q1. Does the Board agree with the proposed indicators of 'public service' in paragraphs AG4A-AG4D? Does the Board have other suggestions?

(ii) Other defined terms

11 The majority of constituents supported the proposed defined terms in ED 261[4]. Some constituents:

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[2] AASB Meeting 1-2 September 2015 Staff Issues Paper – Staff Collation and Analysis of Comment Letters and Outreach ED 261 *Service Concession Arrangements: Grantor*, paragraphs 40-42.

Link to Staff Issues Paper
http://www.aasb.gov.au/admin/file/content102/c3/M147_6.2_Staff_Collation_and_Analysis_of_Comment_Letters_on_ED_261_SCA.pdf

Link to comment letters to ED 261
http://www.aasb.gov.au/Work-In-Progress/Pending.aspx
Note to the Board: Comment letters on ED 261 are also available in the 'Supporting documents folder' in Dropbox.

[3] Public service is defined as "service that is provided by government or one of its controlled entities, as part of the usual government function, to the community, either directly (through the public sector) or by financing the provision of services" (ED 261.Appendix A).

(a) commented while they agree with the definition of the individual terms, however, when the defined terms are read together, the definitions can be circular, in particular the definition of a 'service concession arrangement' and 'service concession asset'; and

(b) requested definitions or guidance for the additional terms that are used in the Standard of:

 (i) 'outsourcing', 'service contract' and 'privatisation'[5] in paragraph 6 of ED 261; and

 (ii) 'significant residual interest'[6] and 'estimated current value'[7].

<u>Service concession arrangement and service concession asset definitions</u>

12 The definitions of a service concession arrangement and a service concession asset are identical to those contained in International Public Sector Accounting Standard IPSAS 32 *Service Concession Arrangements: Grantor* (paragraph 8).

13 While the definitions seem lengthy, they are however sufficiently detailed in explaining the terms of a service concession arrangement and service concession asset. These defined terms are relatively short and less involved compared to other defined terms in existing Standards such as the definition of a 'financial asset' and 'financial liability' in AASB 132 *Financial Instruments: Presentation*.

14 Given the Board's decision to base the Standard (paragraph BC3) on IPSAS 32, Staff are of the view that it is more prudent to retain the defined terms instead of drafting

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[4] AASB Meeting 1-2 September 2015 Staff Issues Paper – Staff Collation and Analysis of Comment Letters and Outreach ED 261 *Service Concession Arrangements: Grantor*, paragraphs 38 and 43.

[5] Paragraph 6 of ED 261 states that "Arrangements outside the scope of this [draft] Standard include those that do not involve the delivery of a public service and arrangements that involve service and management components where the asset is not controlled by the grantor, as described in paragraph 8, or paragraph 9 for a whole-of-life asset (eg **outsourcing**, **service contracts**, or **privatisation**)." (emphasis added).

[6] Paragraph 8 of ED 261 states that "…The grantor controls the asset if, and only if:

(a) the grantor controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price; and
(b) the grantor controls – through ownership, beneficial entitlement or otherwise – any **significant residual interest** in the asset at the end of the term of the arrangement." (emphasis added).

[7] Paragraph AG14 of ED 261 states that "Where a service concession arrangement does not clearly fall within an existing regulatory framework (eg where there is more than one possible source of regulation), the arrangement will need to incorporate the specific regulatory framework that stipulates the use, the users and/or the pricing to be charged for the services in order for the grantor to have control of the service concession asset. For the purpose of paragraph 8(b), the grantor's control over any significant residual interest should both restrict the operator's practical ability to sell or pledge the asset and give the grantor a continuing right of use throughout the period of the service concession arrangement. The residual interest in the asset is the **estimated current value** of the asset as if it were already of the age and in the condition expected at the end of the period of the service concession arrangement." (emphasis added).

new definitions. Developing new definitions would require time and further consultation to ensure the definitions are robust. Accordingly, Staff prefer to retain the existing service concession arrangement and service concession asset definitions.

Definition or guidance for additional terms

15 The Board at its December 2015 meeting agreed to provide guidance on privatisations and outsourcing arrangements by:

(a) removing the words "(eg outsourcing, service contracts, or privatisation)" from the scope in paragraph 6 of ED 261;

(b) including new paragraph AG19B to clarify that outsourcing, service or privatisations arrangements may be outside the scope of the Standard if the arrangement does not meet the control criteria of paragraphs 8 and 9, and note that an arrangement that conveys the 'right to access' the asset may also convey to the purchaser the right to control the use of the underlying asset; and

(c) including a table in the Implementation Guidance to address constituents' request for additional guidance on privatisations and outsourcing arrangements that fall outside the scope of the Standard.

16 The Board at its December 2015 meeting also agreed to:

(a) amend paragraph AG14 and include a separate section in the Application Guidance for the accounting for residual interest;

(b) retain the term 'current value' (instead of 'fair value') in the context of determining an asset's residual interest in paragraph AG19G; and

(c) include the content of Staff analysis in paragraphs 40 and 42 of Agenda Paper 12.1 for that meeting in paragraphs BC17C-BC17E, instead of providing guidance on the term 'significant' and 'current value'.

17 Staff are of the view that the Board had, at its December 2015 meeting, dealt with the issue of providing definitions or guidance for the additional terms that are used in the draft Standard. Accordingly, no further guidance in addition to the guidance decided by the Board in the December 2015 meeting is necessary for the terms of 'outsourcing', 'service contract', 'privatisation', 'significant residual interest' and 'estimated current value'.

Staff recommendation

18 Based on the analysis in paragraphs 12-17, Staff recommend:

(a) retaining the existing definitions of a service concession arrangement and service concession asset; and

(b) no further guidance is necessary for the terms of 'outsourcing', 'service contract', 'privatisation', 'significant residual interest' and 'estimated current value'.

Questions to the Board

Q2. Does the Board agree with the Staff recommendations:

(a) to retain the existing definitions of a service concession arrangement and service concession asset?

(b) that no further guidance is necessary for the terms of ‘outsourcing’, ‘service contract and ‘privatisation’, ‘significant residual interest’ and ‘estimated current value’?

Issue 2: Accounting for other revenues and lifecycle costs

(i) Other revenues

19 Other revenues relate to compensation by the operator to the grantor for access to the service concession asset by providing the grantor with a series of pre-determined inflows of resources, including the following:

(a) an upfront payment or a stream of payments;

(b) revenue-sharing provisions;

(c) a reduction in a predetermined series of payments the grantor is required to make to the operator; and

(d) rent payments for providing the operator access to a revenue-generating asset.

20 IPSAS 32 includes guidance on other revenues in paragraphs AG55–AG64 (refer to Appendix B to this Paper). ED 261 (paragraph BC28) does not include this guidance, as “the Board decided that this guidance was not necessary in the Australian context as the existing revenue recognition guidance in Australian Accounting Standards was sufficient.” The Board also decided to seek specific comments on this issue in ED 261.

21 Some constituents supported the proposal not to include guidance on other revenues. Other constituents preferred the Standard to include the IPSAS 32 guidance on the accounting treatment of other revenues on the basis that the guidance is useful and would be consistent with IPSAS 32.

22 Additionally, some constituents commented that while they supported the cross-reference of accounting for other revenues to AASB 10XX *Income of Not-for-Profit Entities*, a similar cross-reference should be made for for-profit entities to AASB 15 *Revenue from Contracts with Customers*.

23 Staff identified the following alternative approaches to address the feedback from constituents:

(a) Approach 1: Reaffirm the Board’s previous decision to not include guidance on other revenues as per paragraphs BC27 and BC28; or

(b) Approach 2: Include IPSAS 32 paragraphs AG55 – AG64 as guidance on the accounting for other revenues in the Standard.

24 Staff prefer Approach 1 on the basis that:

(a) Approach 1 is consistent with the AASB's practice of providing cross-references to the relevant Standards for which the guidance relate, such as the following cross-reference in ED 261:

(i) paragraph 10 – refers to AASB 13 *Fair Value Measurement* for the recognition and measurement of a service concession asset;

(ii) paragraphs 11 and 12 – refer to AASB 116 *Property, Plant and Equipment* and AASB 138 *Intangible Assets* for the reclassification of an existing asset as a service concession asset;

(iii) paragraphs 19 and 28 – refer to AASB 132 *Financial Instruments: Presentation*, AASB 9 *Financial Instruments* and AASB 7 *Financial Instruments: Disclosures* for the recognition of financial liability;

(iv) paragraph 28 – refers to AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* for the accounting for other liabilities, commitments, contingent liabilities and contingent assets;

(v) paragraph 30 – refers to AASB 101 *Presentation of Financial Statements* for presentation and disclosure by the grantor; and

(vi) paragraph 33 – refers to AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* for transition provisions;

Additionally, changing the current practice of providing additional guidance, instead of cross-references to the relevant Standard, would set a precedent for other Standards to include additional guidance. Furthermore, the implication of providing guidance on the application of AASB 10XX and AASB 15 in the service concession arrangements Standard may set a precedent for including additional guidance on other matters, such as fair value measurement and financial instruments for which constituents have also requested guidance.

(b) IPSAS 32 guidance on other revenues as outlined in Appendix B is not in all cases consistent with the revenue recognition requirements in AASB 10XX and AASB 15, as there are no equivalent IPSAS to AASB 15. Accordingly, it would not be appropriate to include IPSAS 32 guidance in the service concession arrangement Standard. Furthermore, the inclusion of guidance on other revenues may create another set of revenue recognition requirements specific to service concession arrangements.

25 Approach 1 is also consistent with IFRIC's recent decision not to provide additional guidance on accounting for an arrangement that involves the operator leasing the infrastructure in the service concession arrangement. Under the arrangement, the operator is not required to construct or upgrade services relating to the infrastructure. The Interpretations Committee decided that "the requirements in IFRS Standards

provide an adequate basis to enable an entity to determine how to account for the arrangement."[8]

26 Staff agree with constituents' comment that the cross-reference of accounting for other revenues should also include reference to AASB 15 and not only AASB 10XX (ie accounting for other revenues should be in accordance with AASB 10XX or AASB 15). The Panel in its November 2016 meeting supported this inclusion and Approach 1.

Staff recommendation

27 Staff recommend:

(a) Approach 1 of reaffirming the Board's previous decision to not include the guidance on other revenues as per paragraphs BC27 and BC28 of ED 261 for the reasons in paragraphs 24 and 25; and

(b) amending paragraph 29 to cross-reference the accounting for other revenues in accordance with AASB 10XX or AASB 15 (refer Appendix A).

Question to the Board

Q3. Does the Board agree with the Staff recommendations of:

(a) Approach 1 – reaffirming the Board's previous decision to not include the guidance on other revenues as per paragraphs BC27 and BC28 of ED 261 for the reasons in paragraphs 24 and 25?

(b) amending paragraph 29 to cross-reference the accounting for other revenues in accordance with AASB 10XX or AASB 15?

(ii) Lifecycle costs

28 ED 261 includes examples on the accounting treatment of lifecycle costs of a service concession asset that might be a benefit to the grantor. Lifecycle costs are costs incurred by the operator to maintain the asset during the service concession period. An example of a lifecycle cost is the cost to periodically resurface a road during the operating and maintenance phase of the service concession arrangement.

29 Feedback received from constituents are:

(a) generally, constituents supported the inclusion of examples on the accounting treatment of lifecycle costs of a service concession asset;

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[8] Link to IFRIC Update September 2016 – Interpretations Committee's agenda decision – IFRIC 12 *Service Concession Arrangements* – service concession arrangements with leased infrastructure (Agenda Paper 7) https://s3.amazonaws.com/ifrswebcontent/2016/IFRIC/September/IFRIC-Update-September-2016.pdf

(b) some constituents expressed that while the example of road resurfacing is useful, they prefer a more complex example on the accounting for lifecycle costs in service concession arrangements, such as hospitals and schools, where a number of assets are replaced over the term of the arrangement. PwC suggested the example include the application guidance on the accounting for of lifecycle costs under AASB 15;

(c) other constituents requested guidance on how to account for replacement components that are not easily separable or where there is no certainty that the replacement will occur; and

(d) KPMG commented that it would be useful for the draft Standard to provide an explanation of lifecycle costs, which is not mentioned in ED 261.

30 Lifecycle costs are costs incurred subsequent to the initial recognition of an asset. ED 261 (paragraphs AG41) states that "After initial recognition, a grantor applies AASB 116 or AASB 138 to the subsequent measurement and derecognition of a service concession asset." AASB 116 provides guidance on accounting for subsequent costs of:

(a) repairs and maintenance of a property, plant and equipment, which are recognised in profit or loss as incurred (paragraph 12); and

(b) parts of property, plant and equipment that require replacement at regular intervals, which are recognised in the carrying amount of the property, plant and equipment when the cost is incurred if it meets asset recognition criteria (paragraph 13).

31 Staff are of the view that AASB 116 provides sufficient guidance on the accounting for lifecycle costs and there is no need for further guidance in the service concession arrangements Standard. However, Staff think that the existing paragraphs 11, 12 and AG41 of ED 261which refer to AASB 116 and AASB 138 may be construed to only apply to the classification of service concession asset as a separate class and for impairment testing purposes. For clarity, Staff propose to amend paragraph AG41 (refer Appendix A) to include reference to AASB 116 and AASB 138 for the accounting for costs incurred subsequent to the initial recognition of an asset.

Staff recommendation

32 Staff recommend:

(a) no further guidance is included in the service concession arrangements Standard on lifecycle costs as there is sufficient guidance in AASB 116 or AASB 138 for the accounting ; and

(b) amend paragraph AG41 to include reference AASB 116 and AASB 138 for the accounting of costs subsequent to the initial recognition of an asset (refer Appendix A).

Questions to the Board

Q4. Does the Board agree with the Staff recommendation in paragraph 32:

(a) there is sufficient guidance in AASB 116 or AASB 138 for the accounting of lifecycle costs and no further guidance is required in the service concession arrangements Standard?

(b) to amend paragraph AG41 to include reference AASB 116 and AASB 138 for the accounting of costs subsequent to the initial recognition of an asset?

Issue 3: Effective date

33 Generally, constituents noted the proposals will need a significant amount of time to implement and will require the review of contracts for existing service concession arrangements and systems changes to capture the required information. Some constituents did not support the proposed application date of annual reporting periods beginning 1 January 2017 and preferred a later application date with early adoption permitted.

34 Some of the constituents who supported the proposed application date expressed the view that the proposals need not have an effective date that is the same as AASB 15, which is 1 January 2018. However, these constituents would prefer to have a longer transitional period, with early adoption permitted for the reasons outlined in paragraph 1, especially for those entities that would choose to apply the Standard under the full retrospective method. The Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC) in its letter to the AASB[9] recommended "a deferral of the application date by at least a further 24 months" to 1 January 2019, as "implementing the proposed standard and associated guidance will require substantial time and resources".

35 Staff are of the view the deferral of the effective date of the Standard to annual reporting periods beginning 1 January 2019 would be appropriate on the basis that:

(a) the Standard is targeted for issue in the first quarter of 2017 and the proposed effective date would provide more than two years for implementing the proposed Standard for entities that have a 30 June reporting date. This would align with constituents' requests; and

(b) the Standard would also then have the same effective date as AASB 15 and AASB 10XX for not-for-profit entities (as tentatively decided by the Board). The Standard cross-references AASB 15 and AASB 10XX for accounting for 'other revenues'. While the effective date of the Standard need not align with

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[9] Link to HoTARAC letter to the AASB dated 15 July 2016. http://www.aasb.gov.au/admin/file/content102/c3/3.7.1_HoTARAC_ltr_AASB_Defer_Date_Apply_new_stds_Inc_rev_SCA_15_July_2016.pdf

the revenue Standards, it would assist grantors in the overall implementation if the effective dates are the same.

36 The Panel in its November 2016 meeting supported deferring the effective date of the Standard to annual reporting periods beginning 1 January 2019.

Staff recommendation

37 Staff recommend deferring the effective date of the Standard to annual reporting periods beginning 1 January 2019 for the reasons detailed in paragraph 35 (refer Appendix A for revised wording in the draft Standard).

Questions to the Board

Q5. Does the Board agree with the Staff recommendation to defer the effective date of the Standard to annual reporting periods beginning 1 January 2019?

Issue 4: Transition

38 ED 261 (paragraph 33) proposed transition provisions that would permit a grantor to apply the Standard either:

(a) fully retrospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*; or

(b) by recognising and measuring service concession assets and related liabilities as at the start of the earliest comparative period, using deemed cost. The deemed cost of assets would be fair value, and the ‘deemed cost’ of the related liabilities would reflect the financial liability model and the grant of a right to the operator (GORTO) model, as appropriate.

39 Application Guidance in ED 261 (paragraphs AG62-AG65) explained the basis for the deemed cost measurements for the assets and liabilities, and that any difference in their measurement would be recognised in equity. However, this was stated only in respect of using deemed cost under the financial liability model.

Constituent comments on ED 261

40 Generally, constituents commenting on ED 261 supported the proposed transition requirements, noting that the proposals would need a significant amount of time to implement and would require the review of contracts for existing service concession arrangements and systems changes to capture the required information.

41 A number of constituents requested additional guidance (e.g. illustrative examples) for the application of the transition provision of using deemed cost under the GORTO model, in particular the measurement of the liability set out in paragraph AG65 of ED 261. They noted that paragraph AG65 did not contain a similar statement to paragraph AG64 about recognising a difference between the amounts of the asset and the liability for unearned revenue directly in net assets/equity. This implied that, in the

absence of any grantor financial liabilities under a service concession arrangement, the liability representing unearned revenue would equal the asset at the transition date. In that case, what did the reference to adjusting to reflect the remaining service concession period mean? Or should paragraph AG65 also include the statement about recognising a difference between the amounts of the asset and the liability in equity?

42 Furthermore, HoTARAC noted that measuring the liability based on the fair value of the asset at the transition date typically would mean that revenue recognised post-transition would be inflated or reduced, in comparison with using the retrospective liability value. This would be due to differences between the asset life and the service concession period, and also between the patterns of asset depreciation and revenue recognition out of the liability.

43 PwC also questioned the liability measurement, suggesting that as the fair value of the asset would include any residual value beyond the concession term, it is not necessarily representative of the value of the liability. They sought clarification regarding backing out the residual value component from the liability.

44 HoTARAC also recommended using a term other than 'deemed cost' for the remeasurement of the service concession assets and related liabilities at the start of the earliest comparative period, on the grounds that the new measurement was replacing a fair value measurement for the assets rather than an initial cost.

Clarifying the 'deemed cost' approach

45 Staff consider that the deemed cost approach (which is better referred to as the modified retrospective approach) should be clarified in several ways:

(a) the measurement of the unearned revenue liability under the GORTO model should be illustrated in the illustrative examples accompanying the Standard, so that the adjustment to reflect the remaining service concession period is clear;

(b) the net assets/equity adjustment for a difference between the asset and the liability (or liabilities, in a hybrid arrangement) should not be limited to the financial liability model; and

(c) hybrid arrangements should be covered more clearly.

Measurement of the unearned revenue liability under the GORTO model

46 Constituents have suggested a number of issues with the measurement of this liability as at the start of the earliest comparative period presented in the financial statements in which the Standard is first applied. HoTARAC noted resulting differences in revenue recognition in comparison with the full retrospective method. However, this is to be expected, since the modified retrospective approach is not the same as the full retrospective method. The modified approach is simpler to apply, and gives a starting point for the further application of the Standard to existing service concession arrangements. Transition under the modified retrospective approach would be more complex if adjustments were also required in relation to revenue already recognised for a service concession arrangement, and staff do not recommend addressing such adjustments.

47 PwC questioned the appropriateness of measuring the liability based on the fair value of the asset, which includes the residual value beyond the service concession period. However, that is the fundamental approach in the Standard to the measurement of the unearned revenue liability under the GORTO model (see paragraphs 13, 14 and 23 of ED 261). Therefore, it is appropriate to follow the same approach in the modified transition method, and not seek to exclude a residual value component from the liability measurement.

48 PwC provided an example of the modified retrospective approach for a toll road service concession arrangement where the operator collects tolls from users of the road. The example is based on the following information:

Period of the service concession arrangement	25 years
Economic life of the asset (from the start of the arrangement)	50 years
Transition year	End of year 20
Remaining period of arrangement at transition	5 years
Fair value of assets at year 0	$1,000
Fair value of assets at beginning of year 21	$1,200

49 If the standard was applied retrospectively in accordance with paragraph 33(a), the fair value of assets at year 0 adjusted to reflect the remaining period would be as follows:

A	Fair value of assets at year 0	$1,000
B	Reduction in GORTO liability per year (A/25 years)	$40
C	Liability based on the remaining period (B*5 years)	$200

50 Staff note that different methods could be applied to measure the GORTO liability on transition under the modified retrospective approach as described in ED 261. Method 1 in the table below illustrates the PwC approach, which shows an adjustment of the transition-date fair value of the asset over the total concession period to measure the liability for the remaining concession period. However, staff consider that a different remaining-period adjustment is intended by the wording in ED 261, as illustrated in Method 2 in the table:

	Method 1	**Method 2**
Fair value of asset at beginning of year 21	$1,200	$1,200
Remaining life of asset at year 21		30 years
Reduction in asset per year		$40 (over 30 years)
Total concession period	25 years	
Reduction in liability per year	$48 (over 25 years)	
Liability for remaining period of 5 years	$240 (5 x $48)	$200 (5 x $40)

51 Under the staff method, Method 2, the fair value of the asset at the transition date can be regarded as representing the future revenue to the entity of the asset, which is allocated over the remaining life of the asset to give an amount of "revenue per year" (assuming a straight-line basis is appropriate). This revenue per year is then applied to the remaining concession period in order to measure the GORTO unearned revenue liability.

52 Method 2 appears to be more in line with the wording of paragraph AG65(b) of ED 261 – "the fair value of the asset … adjusted to reflect the remaining period of the service concession arrangement" – than Method 1. Method 1 seeks to apportion all of the transition-date fair value of the asset backwards over the whole concession period. Either method might give a GORTO liability equivalent to the liability under the full retrospective method, depending on the transition-date fair value relative to the initial fair value, and the relative asset life and concession periods. However, a short-cut transition method should not be expected to achieve the same result as the full method.

53 At its November 2016 meeting, the Panel did not have a preference for either Method 1 or Method 2. Instead, the Panel requested only that the Standard prescribe a particular transition method in order to reduce divergence between entities on transition. Staff therefore recommend the adoption of Method 2. Draft revised wording for the transition requirements is set out in Appendix A (see paragraph 32B(c) in particular). A less prescriptive approach would appear to permit both Methods 1 and 2 in adjusting the fair value of the asset in order to measure the GORTO liability.

Net assets/equity adjustment

54 A net assets/equity adjustment should be available under the GORTO model. Both Methods 1 and 2 would recognise the unearned revenue liability at a different amount to the asset, requiring an adjustment through net assets/equity. In addition, if an entity had already accounted in some way for a service concession arrangement, then the transition to the new Standard would also require the derecognition or adjustment of those amounts. It is unlikely that there would be no net adjustment to equity. The Panel agreed with the view that a net assets/equity adjustment should be available under the GORTO model. See paragraph 32B(d) in the draft revised wording in Appendix A, which would apply to both the financial liability and GORTO models.

Hybrid arrangements

55 Service concession arrangements that include both financial liabilities and liabilities under the grant of a right to the operator appear to be left out of the transition guidance paragraphs, given the headings before paragraphs AG64 and AG65in ED 261. However, hybrid arrangements are in fact covered, but only by the reference to "less any financial liabilities" in paragraph AG65(b), which is labelled as addressing the GORTO model. This could be made more visible by specific reference in the application guidance (see new paragraph AG64 in Appendix A).

References to deemed cost

56 Under AASB 1 *First-time Adoption of Australian Accounting Standards*, 'deemed cost' in first-time adoption transition requirements is an amount used as a surrogate for

cost or depreciated cost at a given date. As HoTARAC indicated, the modified retrospective approach to the transition to the service concessions Standard is based on measuring the fair value of the service concession asset at the transition date. Nevertheless, 'deemed cost' is still an appropriate description for the transitional asset measurement based on fair value, however the 'deemed cost' headings in the application guidance in ED 261 are not required. Measuring the asset fair value at the transition date is not to infer that the asset is then subsequently measured under a revaluation policy. This is explained in draft revised paragraph AG63 in Appendix A. The Panel agreed with adding this explanation, and could support no reference to deemed cost.

Staff recommendations

57 Staff recommend replacing the transition paragraphs of the Standard and the application guidance, as proposed in ED 261. Appendix A includes the recommended revised drafting (see new paragraphs 32-32B and AG62-AG64). The revised wording would, in particular, clarify the modified retrospective transition approach in respect of the following aspects:

(a) measurement of the unearned revenue liability under the GORTO model – and an illustrative transition example should be added to the Standard based on the approach in Method 2;

(b) a net assets/equity adjustment for the GORTO model as well as for the financial liability model; and

(c) better visibility for hybrid arrangements.

Questions to the Board

Q6. Does the Board agree with the Staff recommendations summarised in paragraph 57?

Q7. Does the Board have other suggestions?

Issue 5: Disclosures

58 The majority of constituents supported the proposed disclosure requirements set out in the draft Standard.

59 One constituent commented that the proposed disclosure requirements are "quite specific" and may create a "risk of disclosure overload" (Heads of Treasuries Accounting and Reporting Advisory Committee). The constituent suggested the principles-based approach of disclosure that "states the objective of disclosures made under the proposed standard, similar to the objective stated in AASB 15 *Revenue from Contracts with Customers* and AASB 13 *Fair Value Measurement*" and "requires that to meet the objective of the disclosures, an entity consider all aspects of a service concession arrangement including those listed in paragraph 31(b) and 31(c)." (KPMG).

60 Another constituent (Australasian Council of Auditors-General) was unclear about the disclosure requirements in paragraph 32[10] and requested clarification of its application.

61 The IPSASB issued IPSAS *Improvements to IPSASs 2015*[11] in April 2016 which amended IPSAS 32 by removing the requirement to account for service concession assets as a separate class after initial recognition or reclassification (IPSAS 32 amendments, paragraph 13). This amended the presentation and disclosure section of IPSAS 32 by no longer requiring the disclosure of service concession arrangements for each class of service concession arrangements. Instead, service concession arrangements are disclosed individually for each material service concession arrangements or in aggregate for service concession arrangements involving services of a similar nature. This disclosure is in addition to the disclosures required in the property, plant and equipment and intangible assets Standards (IPSAS 32 amendments, paragraphs 32 and 33).

62 The amendments were to remove the potential disclosure inconsistency in IPSAS 32 and the property, plant and equipment and intangible assets Standards. That is, "The requirements in IPSAS 32 could be seen as requiring service concession assets to be presented as a single class of assets, even if they were of a dissimilar nature and function. As it is not the intention of the IPSASB to require that dissimilar assets be reported as if they were similar, the IPSASB decided to propose clarifications to IPSAS 32 to make its clear." (IPSAS 32 amendments, paragraphs BC49).

63 Staff are of the view there are merits in the constituents' recommendation of a principles-based approach of disclosure, as it is consistent with the AASB's recent Standards such as AASB 13 and AASB 10XX. Additionally, given the disclosures in ED 261 are based on IPSAS 32, the IPSASB amendments to the disclosure requirements to IPSAS 32 should also be adopted. Accordingly, Staff propose the amendment the following paragraphs:

(a) presentation and disclosure paragraphs 30-31A to reflect the constituents' recommendation and the IPSASB amendments to IPSAS 32; and

(b) paragraph 12 to remove references to account for the asset as separate class of separate classes of assets.

Staff recommendation

64 Staff recommend amending paragraphs 30 to 31A and paragraph 12 (refer Appendix A) relating to the presentation and disclosure in the Standard.

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[10] Paragraph 32 of ED 261 states that "The disclosures required in accordance with paragraph 31 are provided individually for each material service concession arrangement or in aggregate for each class of service concession arrangements."

[11] Link to IPSASB IPSAS Improvements to IPSASs 2015 (April 2016)
http://www.ifac.org/publications-resources/improvements-ipsas-2015
Note to the Board: IPSAS Improvements to IPSASs 2015 (April 2016) is also available in the 'Supporting documents folder' in Dropbox.

Questions to the Board

Q8. Does the Board agree with the Staff recommendation to amend the following paragraphs in the Standard:

(a) paragraphs 30-31A relating to the presentation and disclosure?

(b) paragraph 12 to remove references to account for the asset as separate class of separate classes of assets?

Appendix A: Marked-up changes to ED 261 Service Concession Arrangements: Grantor

Below is the mark-up of the changes to ED 261 for the proposals contained in this Agenda Paper.

Issue 1: Defined terms – public service

Appendix B
Application Guidance

(a) This appendix is an integral part of AASB 10XY.

Scope (paragraphs 5 – 7)

AG1 This [draft] Standard is intended to 'mirror' AASB Interpretation 12 *Service Concession Arrangements*, which sets out the accounting requirements for the operator in a service concession arrangement. To do so, the scope, principles for recognition of an asset, and terminology are consistent with the applicable guidance in AASB Interpretation 12. However, because this [draft] Standard deals with the accounting issues of the grantor, this [draft] Standard addresses the issues identified in AASB Interpretation 12 from the grantor's point of view, as follows:

(a) the grantor recognises a financial liability when it is obliged to make a series of payments to the operator for provision of a service concession asset (ie constructed, developed, acquired or upgraded). Under paragraphs 12, 14 and 20 of AASB Interpretation 12, the operator recognises revenue for the construction, development, acquisition, upgrade and operation services it provides. Under paragraph 16 of AASB Interpretation 12, the operator recognises a financial asset;

(b) the grantor recognises a liability when it grants the operator the right to earn revenue from third-party users of the service concession asset or another revenue-generating asset. Under paragraph 26 of AASB Interpretation 12, the operator recognises an intangible asset;

(c) the grantor derecognises an asset it grants to the operator and over which it no longer has control and reduces the liability recognised under paragraph 14. Under paragraph 27 of AASB Interpretation 12, the operator recognises the asset and a liability in respect of any obligations it has assumed in exchange for the asset.

AG2 Paragraph 8 of this [draft] Standard specifies the conditions under which an asset, other than a whole-of-life asset, is within the scope of the [draft] Standard and is recognised by the grantor. Paragraph 9 of the [draft] Standard specifies the condition under which whole-of-life assets are within the scope of the [draft] Standard and are recognised by the grantor.

Definitions (Appendix A)

AG3 Appendix A defines a service concession arrangement. A feature of a service concession arrangement is the public service nature of the obligation to be undertaken by the operator in a commercial transaction. <u>Assessment of a </u>~~The~~ public service ~~to be~~ provided by the service concession asset is irrespective of the identity of the party that operates the services. The service concession arrangement contractually obliges the operator to provide the services to the public <u>in general</u> on behalf of the public sector entity. Other common features of a service concession arrangement within the scope of this [draft] Standard are:

(a) the grantor is a public sector entity;

(b) the operator is responsible for at least some of the management of the service concession asset and related services and does not merely act as an agent on behalf of the grantor;

(c) the arrangement sets <u>or limits</u> the initial prices to be levied by the operator and regulates price revisions over the period of the service concession arrangement;

(d) the operator is obliged to hand over the service concession asset to the grantor in a specified condition at the end of the period of the arrangement, for little or no incremental consideration, irrespective of which party initially financed it; and

(e) the arrangement is governed by a contract that sets out performance standards, mechanisms for adjusting prices, and arrangements for arbitrating disputes.

AG4 Appendix A defines a service concession asset. Examples of service concession assets <u>include</u> roads, bridges, tunnels, prisons, hospitals, airports, water distribution facilities, energy supply and telecommunication networks, permanent installations for military and other operations, and other tangible or intangible assets that are expected to be used during more than one reporting period in delivering public services.

AG4A[SD1] Characteristics [SD2]of public services for the purpose of this Standard are:

(a) services that are necessary or essential to the general public, which must be provided by a public sector entity if it is unlikely that a private sector entity can or would provide the services, such as services delivered in accordance with government policy or regulation; and

(b) services that are universally accessible to the public either directly or indirectly. This includes services provided to the community or a subset of the community.

AG4B Assessing whether a service is a public service requires judgement, taking into account the specific terms and conditions of the arrangement. For example, a courthouse building with multiple purposes of courts and administrative offices would be considered to provide public services as the fundamental purpose of the building is to provide court services. The court services are necessary or essential to the general public provided by a public sector entity in accordance with government policy or regulation. It is unlikely that a private sector entity would provide court services if it is not delivered by a public sector entity. The court services are universally accessible to the public, even if it is a subset of the community that uses the services. The services provided by the administrative offices would be considered ancillary services if the services are insignificant to the arrangement as a whole[SD3], and would be treated as if the services did not exist. This is consistent with paragraph AG17(b)[SD4]. Additionally, for the courthouse to be considered a service concession asset that is within the scope of the Standard, the grantor must control the asset as specified in paragraph 8 where the grantor controls or regulates the services the operator must provide with the asset, to whom it must be provided and at what price. The grantor must also control any significant residual interests in the asset at the end of arrangement.

AG4C In some cases, services provided by an asset that benefit the public indirectly may not be a public service for the purpose of this Standard. For example, a building used for departmental employees for internal functions that support the overall objectives of the government would not be an asset that provides public services.[SD5] This is because the services provided by the building is not a necessary or essential services to the general public that would be provided by the public sector entity if it is unlikely that a private sector entity would provide the services. Also, the building provides services to the departmental employees and the services are not universally accessible to the public. The services provided by the building are significant to the arrangement as a whole and would not be considered as ancillary services.

AG4D A grantor assesses at the commencement of an arrangement whether an asset provides public services. The public service nature of the asset, once established, applies for the duration [SD6]of the service concession period. This is regardless of whether the grantor changes its policy that a particular service would no longer be provided to the public.

AG5 The term 'agreement' in the definition of a 'contract' in Appendix A encompasses an arrangement entered into under the direction of another party (for example, when assets are transferred to an entity with a directive that they be deployed to provide specified services, or regulation or legislation is imposed in relation to the assets).

AG6 Contracts can be written, oral or implied by an entity's customary business practices in performing or conducting its activities.

Issue 2(i): Other revenues

Other Revenues

29 **The grantor shall account for revenues from a service concession arrangement, other than those specified in paragraphs 23 – 25, in accordance with AASB 10XX *Income of Not-for-Profit Entities* or AASB [SD7]15 *Revenue from Contracts with Customers*.**

Issue 2(ii): Lifecycle costs

Subsequent Measurement

AG41 After[SD8] initial recognition, a grantor applies AASB 116 or AASB 138 to the subsequent measurement and derecognition of a service concession asset and subsequent costs incurred. For the purposes of applying AASB 116 or AASB 138, service concession assets should be treated as a separate class, or classes, of assets. Subsequent costs include lifecycle costs incurred to maintain the asset during the concession period, such as the cost to periodically resurface a road during the operating and maintenance phase of the service concession arrangement. AASB 136 is also applied in considering whether there is any indication that a service concession asset is impaired.

Issue 3: Effective date

Objective

1 The objective of this [draft] Standard is to prescribe the accounting for a service concession arrangement by a grantor that is a public sector entity.

2 This [draft] Standard applies to:

(a) each entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act 2001 and that is a reporting entity;

(b) general purpose financial statements of each other reporting entity; and

(c) financial statements that are, or are held out to be, general purpose financial statements.

3 This [draft] Standard applies to annual reporting periods beginning on or after 1 January [SD9]**~~2017~~ 2019.**

4 **This [draft] Standard may be applied to annual reporting periods beginning before 1 January ~~2017~~ 2019**[SD10]**. When an entity applies this [draft] Standard to such an annual reporting period, it shall disclose that fact.**[SD11]

Issue 4: Transition – Standard

Transition

~~**32 A grantor shall either:**~~

~~**(a) apply this [draft] Standard retrospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*; or**~~

~~**(b) elect to recognise and measure service concession assets and related liabilities at the beginning of the earliest period for which comparative information is presented in the financial statements using deemed cost. Deemed cost for service concession assets is the fair value in accordance with AASB 13.**~~

~~**When the grantor makes an election to apply deemed cost, it shall disclose this fact, along with disclosures relating to the measurement of those assets and liabilities.**~~

32 For the purposes of the transition requirements, the date of initial application is the beginning of the earliest reporting period for which comparative information is presented in the financial statements.

32A A grantor shall apply this Standard either:

(a) retrospectively to each prior period presented in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*; or

(b) retrospectively by recognising and measuring service concession assets and related liabilities at the date of initial application.

32B If a grantor elects to apply this Standard retrospectively in accordance with paragraph 33A(b), the grantor shall:

(a) measure the deemed cost of a service concession asset at fair value at the date of initial application;

(b) measure a financial liability arising under a service concession arrangement using the rate described in paragraphs AG43–AG50 at the date of initial application;

(c) measure a liability representing the unearned portion of any revenue arising from the receipt of a service concession asset under the grant of a right to the operator model at the fair value of the related service concession asset at the date of initial application, adjusted to reflect the remaining period of the service concession arrangement relative to the remaining useful life of the asset, less any related financial liabilities measured in accordance with paragraph (b);

(d) recognise any difference between the amounts of the assets and the liabilities directly in net assets/equity at the date of initial application – if the grantor chooses as its accounting policy the revaluation model in AASB 116 or AASB 138, this difference is included in equity; and

(e) disclose that it has applied this transition approach and information relating to the measurement of the assets and liabilities.

Issue 4: Transition – Appendix B Application Guidance

Transition

~~AG62 A grantor may elect under paragraph 33(b) to recognise and measure service concession assets and related liabilities prospectively, using deemed cost. Deemed cost is determined at the beginning of the earliest period for which comparative information is presented in the financial statements.~~

~~AG63 The deemed cost for service concession assets is the fair value in accordance with AASB 13.~~

~~Use of Deemed Cost under the Financial Liability Model~~

~~AG64 Where the grantor uses deemed cost under the financial liability model, it measures:~~

~~(a) the service concession asset at fair value (see paragraph 10); and~~

~~(b) the financial liability using the remaining contractual cash flows specified in the contract and the rate described in paragraphs AG43 – AG50 at the beginning of the earliest period for which comparative information is presented in the financial statements.~~

~~Any difference between the value of the asset and the financial liability is recognised directly in net assets/equity. If the entity chooses as its accounting policy the revaluation model in AASB 116 or AASB 138, this difference is included in equity.~~

~~Use of Deemed Cost under the Grant of a Right to the Operator Model~~

~~AG65 Where the grantor uses deemed cost under the grant of a right to the operator model, it measures:~~

~~(a) the service concession asset at fair value (see paragraph 10); and~~

~~(b) the liability representing the unearned portion of any revenue arising from the receipt of the service concession asset. This amount should be determined as the fair value of the asset less any financial liabilities, adjusted to reflect the remaining period of the service concession arrangement.~~

AG62 A grantor may elect under paragraph 33A(b) to recognise and measure service concession assets and related liabilities at the beginning of the earliest period for which comparative information is presented in the financial statements (the 'date of initial application'). This approach would require the derecognition or adjustment of any service concession assets and liabilities recognised under previous accounting policies. Any net adjustment on initial application of this Standard is recognised directly in net assets/equity. If the grantor chooses the revaluation model in AASB 116 or AASB 138 as its accounting policy, the net adjustment is included in equity other than revaluation surplus.

AG63 The measurement of the deemed cost of service concession assets at fair value at the date of initial application does not mean that the assets are measured under the revaluation model. Subsequent revaluations are not required unless the grantor applies the revaluation model as its accounting policy.

AG64 The measurement of liabilities arising under the financial liability model at the date of initial application is addressed in paragraph 33B(b). Paragraph 33B(c) addresses liability measurement under both the grant of a right to the operator model and hybrid arrangements, as it requires a reduction in the measurement of the liability for any related financial liabilities.

Presentation and Disclosure

~~**30 The [SD12]grantor shall present information in accordance with AASB 101 *Presentation of Financial Statements*.**~~

31 The objective [SD13]of the disclosure requirements is for an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of asset, liability, revenue and cash flows arising from service concession arrangements. To achieve this, an entity shall disclose [SD14]qualitative and quantitative information about service concession arrangements including the following:~~All aspects of a service concession arrangement shall be considered in determining the appropriate disclosures in the notes. A grantor shall disclose the following information in respect of service concession arrangements in each reporting period:~~

(a) a description of the arrangements;

(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 access specified assets;

(ii) rights to receive specified services in relation to the service concession arrangement from the operator;

(iii) the carrying amount of service concession assets recognised ~~as assets during~~at the end of the reporting period, including existing assets of the grantor reclassified as service concession assets;

(iv) rights to receive specified assets at the end of the service concession arrangement;

(v) renewal and termination options;

(vi) other rights and obligations (eg major overhaul of service concession assets); and

(vii) obligations to provide the operator with access to service concession assets or other revenue-generating assets; and

(d) changes in the arrangement occurring during the reporting period.

31A The disclosures required in accordance with paragraph ~~31~~30 are provided individually for each material service concession arrangement or in aggregate for ~~each class of~~ service concession arrangements involving services of a similar nature in addition to disclosures required by AASB 116 and AASB 138. Service concession arrangements of a similar nature that are reported in aggregate may form a subset of a class of assets disclosed in accordance with AASB 116 and/or AASB 138 or may be included in more than one class of assets disclosed in accordance with AASB 116 and/or AASB 138. For example, for the purposes of AASB 116, a toll bridge may be included in the same class as other bridges. For the purposes of this paragraph, the toll bridge may be included with service concession arrangements reported in aggregate as toll roads.

Consequential amendments to other paragraphs arising from changes to paragraphs 30-31A

12 After initial recognition or reclassification, service concession assets shall be accounted for ~~as a separate class or, where appropriate, separate classes of assets,~~ [SD15]in accordance with AASB 116 or AASB 138, as appropriate.

AG41 After[SD16] initial recognition, a grantor applies AASB 116 or AASB 138 to the subsequent measurement and derecognition of a service concession asset and subsequent costs incurred. For the purposes of applying AASB 116 or AASB 138, service concession assets of a similar nature that are reported in aggregate may form a subset ~~should be treated as a separate~~ of a class, or classes, of assets. Subsequent costs include lifecycle costs incurred to maintain the asset during the concession period, such as the cost to periodically resurface a road during the operating and maintenance phase of the service concession arrangement. AASB 136 is also applied in considering whether there is any indication that a service concession asset is impaired.

Appendix B: Extracts of IPSAS 32 *Service Concession Arrangements: Grantor*

Other Revenues

AG55 The operator may compensate the grantor for access to the service concession asset by providing the grantor with a series of predetermined inflows of resources, including the following:

(a) An upfront payment or a stream of payments;

(b) Revenue-sharing provisions;

(c) A reduction in a predetermined series of payments the grantor is required to make to the operator; and

(d) Rent payments for providing the operator access to a revenue-generating asset.

AG56 When the operator provides an upfront payment, a stream of payments, or other consideration to the grantor for the right to use the service concession asset over the term of the service concession arrangement, the grantor accounts for these payments in accordance with IPSAS 9. The timing of the revenue recognition is determined by the terms and conditions of the service concession arrangement that specify the grantor's obligation to provide the operator with access to the service concession asset.

AG57 Where the operator provides an upfront payment, a stream of payments, or other consideration to the grantor in addition to the service concession asset, for the right to earn the revenue from third-party use of the service concession asset, or another revenue-generating asset, any portion of the payments received from the operator not earned in the accounting period is recognized as a liability until the conditions for revenue recognition are met.

AG58 When the conditions for revenue recognition are met, the liability is reduced as the revenue is recognized in accordance with paragraph 30.

AG59 However, given the varying nature of the types of assets that may be used in service concession arrangements, and the number of years over which the arrangements operate, there may be more appropriate alternative methods for recognizing revenue associated with the inflows specified in the binding arrangement that better reflect the operator's economic consumption of their access to the service concession asset and/or the time value of money. For example, an annuity method that applies a compounding interest factor that more evenly recognizes revenue on a discounted basis, as opposed to on a nominal basis, may be more appropriate for a service concession arrangement with a term extending over several decades.

AG60 When an upfront payment is received from the operator, the revenue is recognized in a way that best reflects the operator's economic consumption of its access to the service concession asset and/or the time value of money. For example, when the operator is required to pay annual instalments over the term of the service concession arrangement, or predetermined sums for specific years, the revenue is recognized over the specified term.

AG61 For service concession arrangements under which the operator is granted the right to earn revenue from third-party users of the service concession asset, revenue relates to the inflow of economic benefits received as the services are provided and is therefore recognized on the same basis as the liability is reduced. In these cases, the grantor will often negotiate to include a revenue-sharing provision in the arrangement with the operator. Revenue-sharing as part of a service concession arrangement may be based on all revenue earned by the operator, or on revenue above a certain threshold, or on revenue more than the operator needs to achieve a specified rate of return.

AG62 The grantor recognizes revenue generated from revenue-sharing provisions in service concession arrangements as it is earned, in accordance with the substance of the relevant agreement, after any contingent event (e.g., the achievement of a revenue threshold) is deemed to have occurred. The grantor applies IPSAS 19 to determine when the contingent event has occurred.

AG63 A reduction in the future predetermined series of payments the grantor would otherwise be required to make to the operator provides the grantor with upfront non-cash consideration. Such revenue is recognized as the liability is reduced.

AG64 When the operator pays a nominal rent for access to a revenue-generating asset, the rental revenue is recognized in accordance with IPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers)*.