

**Compiled Interpretation**

**Interpretation 129**

# **Service Concession Arrangements: Disclosures**

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This compiled AASB Interpretation applies to annual reporting periods beginning on or after 1 July 2014. Early application is permitted for annual reporting periods beginning on or after 1 January 2014 but before 1 July 2014. It incorporates relevant amendments made up to and including 4 June 2014.

Prepared on 1 September 2014 by the staff of the Australian Accounting Standards Board.



**Australian Government**

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**Australian Accounting  
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## COMPILATION DETAILS

### **AASB Interpretation 129 *Service Concession Arrangements: Disclosures as amended***

This compiled Interpretation applies to annual reporting periods beginning on or after 1 July 2014. It takes into account amendments up to and including 4 June 2014 and was prepared on 1 September 2014 by the staff of the Australian Accounting Standards Board (AASB).

This compilation is not a separate Interpretation issued by the AASB. Instead, it is a representation of Interpretation 129 (February 2007) as amended by other pronouncements, which are listed in the Table below.

#### **Table of Pronouncements**

| <b>Pronouncement</b> | <b>Month issued</b> | <b>Application date<br/>(<i>annual reporting periods ... on or after ...</i>)</b> | <b>Application, saving or transitional provisions</b> |
|----------------------|---------------------|---|---|
| Interpretation 129   | Feb 2007            | ( <i>beginning</i> ) 1 Jan 2008   | see (a) below   |
| AASB 2007-8          | Sep 2007            | ( <i>beginning</i> ) 1 Jan 2009   | see (b) below   |
| AASB 2007-10         | Dec 2007            | ( <i>beginning</i> ) 1 Jan 2009   | see (b) below   |
| AASB 2009-6          | Jun 2009            | ( <i>beginning</i> ) 1 Jan 2009<br>and ( <i>ending</i> ) 30 Jun 2009              | see (c) below   |
| AASB 2010-2          | Jun 2010            | ( <i>beginning</i> ) 1 Jul 2013   | see (d) below   |
| AASB 2013-9          | Dec 2013            | Pt B ( <i>beginning</i> ) 1 Jan 2014  | see (e) below   |
| AASB 2014-1          | Jun 2014            | Pt A ( <i>beginning</i> ) 1 Jul 2014  | see (f) below   |

- (a) Entities may elect to apply this Interpretation to annual reporting periods beginning on or after 1 January 2005 but before 1 January 2008, provided that AASB Interpretation 12 *Service Concession Arrangements* is also applied to such periods.
- (b) Entities may elect to apply this Standard to annual reporting periods beginning on or after 1 January 2005 but before 1 January 2009, provided that AASB 101 *Presentation of Financial Statements* (September 2007) is also applied to such periods.
- (c) Entities may elect to apply this Standard to annual reporting periods beginning on or after 1 January 2005 but before 1 January 2009, provided that AASB 101 *Presentation of Financial Statements* (September 2007) is also applied to such periods, and to annual reporting periods beginning on or after 1 January 2009 that end before 30 June 2009.
- (d) Entities may elect to apply this Standard to annual reporting periods beginning on or after 1 July 2009 but before 1 July 2013, provided that AASB 1053 *Application of Tiers of Australian Accounting Standards* is also applied to such periods.
- (e) Early application of Part B of this Standard is not permitted.

- (f) Entities may elect to apply Part A of this Standard to annual reporting periods beginning on or after 1 January 2005 but before 1 July 2014.

### Table of Amendments

| Paragraph affected                    | How affected                  | By ... [paragraph]   |
|---------------------------------------|-------------------------------|--|
| 4                                     | amended                       | AASB 2007-10 [105]   |
| Aus7.1                                | amended                       | AASB 2007-8 [7, 8]   |
| Aus7.4                                | amended<br>deleted            | AASB 2007-8 [8]<br>AASB 2013-9B [37]                       |
| Aus7.6-Aus7.7 (and preceding heading) | added                         | AASB 2010-2 [55]   |
| 8                                     | amended<br>amended<br>amended | AASB 2007-8 [6]<br>AASB 2007-10 [105]<br>AASB 2014-1A [41] |
| 10                                    | amended<br>amended            | AASB 2007-8 [6]<br>AASB 2009-6 [124]                       |

## COMPARISON WITH SIC-29

AASB Interpretation 129 *Service Concession Arrangements: Disclosures* as amended incorporates Standing Interpretations Committee Interpretation SIC-29 *Service Concession Arrangements: Disclosures* as amended, issued by the International Accounting Standards Board. Paragraphs that have been added to this Interpretation (and do not appear in the text of SIC-29) are identified with the prefix “Aus”, followed by the number of the preceding SIC paragraph and decimal numbering.

Entities that comply with Interpretation 129 as amended will simultaneously be in compliance with SIC-29 as amended, with the exception of entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements.

## **INTERPRETATION 129**

AASB Interpretation 129 was issued in February 2007.

This compiled version of Interpretation 129 applies to annual reporting periods beginning on or after 1 July 2014. It incorporates relevant amendments contained in other AASB pronouncements up to and including 4 June 2014 (see Compilation Details).

### **AUSTRALIAN ACCOUNTING STANDARDS BOARD**

## **INTERPRETATION 129**

### ***SERVICE CONCESSION ARRANGEMENTS: DISCLOSURES***

#### **References**

Accounting Standard AASB 101 *Presentation of Financial Statements*

Accounting Standard AASB 116 *Property, Plant and Equipment*

Accounting Standard AASB 117 *Leases*

Accounting Standard AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*

Accounting Standard AASB 138 *Intangible Assets*

AASB 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 (e.g. 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, and/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 (e.g. Accounting Standard AASB 116 *Property, Plant and Equipment* applies to acquisitions of items of property, plant and equipment, AASB 117 *Leases* applies to leases of assets, and AASB 138 *Intangible Assets* 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 *Provisions, Contingent Liabilities and Contingent Assets* 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 (e.g. 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 (e.g. 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 (e.g. 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 (e.g. toll collections, telecommunications and water treatment services).



## Application

- Aus7.1 This Interpretation 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.
- Aus7.2 This Interpretation applies to annual reporting periods beginning on or after 1 January 2008.  
[Note: For application dates of paragraphs changed or added by an amending pronouncement, see Compilation Details.]
- Aus7.3 If an entity applies AASB Interpretation 12 *Service Concession Arrangements* to an annual reporting period beginning on or after 1 January 2005 but before 1 January 2008, this Interpretation shall be applied to that period.
- Aus7.4 [Deleted by the AASB]
- Aus7.5 When applicable, this Interpretation supersedes UIG Interpretation 129 *Disclosure – Service Concession Arrangements*, as issued in July 2004.

## Reduced disclosure requirements

- Aus7.6 **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.**
- Aus7.7 The requirements that do not apply to entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements are identified in this Interpretation by shading of the relevant text.

## Basis for Conclusions

- 8 Paragraph 15 of the *Framework for the Preparation and Presentation of Financial Statements*<sup>1</sup> 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*<sup>1</sup> 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 and statement of comprehensive income. 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.
- 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 (e.g. to provide electricity to a city). Other obligations could include significant acts such as building an infrastructure asset (e.g. power plant) and delivering that asset to the grantor at the end of the concession period.
- 10 AASB 101 *Presentation of Financial Statements*, paragraph 112(c), requires an entity's notes to provide additional information that is not presented elsewhere in the financial statements, but is relevant to an understanding of any of them. The definition of notes in AASB 101.7 indicates that notes provide narrative descriptions or disaggregations of items disclosed in the statement of financial position, statement of comprehensive income, separate income statement (if presented), statement of changes in equity and statement of cash flows, as well as information about items that do not qualify for recognition in those statements.

Date of SIC's Consensus: [Deleted by the AASB]

Effective Date of SIC-29: [Deleted by the AASB]

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<sup>1</sup> In December 2013 the AASB amended the *Framework*. References to the *Framework* in this Interpretation are to the *Framework for the Preparation and Presentation of Financial Statements* (as identified in AASB 1048 *Interpretation of Standards*). This paragraph was superseded by Chapter 1 of the *Framework*.

## **DELETED SIC-29 TEXT**

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

### **Date of SIC's Consensus**

May 2001

### **Effective Date of SIC-29**

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.