

**Australian Accounting  
Standards Board**

**Interpretation 129**  
February 2007

# **Service Concession Arrangements: Disclosures**



**Australian Government**

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**Australian Accounting  
Standards Board**

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## **PREFACE**

### **Main Features of AASB Interpretation 129**

This Interpretation is applicable to annual reporting periods beginning on or after 1 January 2008. Early adoption of this Interpretation is required for an annual reporting period beginning on or after 1 January 2005 but before 1 January 2008 if AASB Interpretation 12 *Service Concession Arrangements* is applied to the period. This Interpretation 129 (issued in February 2007) supersedes UIG Interpretation 129, issued in July 2004.

The Interpretation requires specific disclosures, in the notes accompanying financial statements, about service concession arrangements entered into by the entity, whether as a grantor or an operator. Service concessions cover services that give the public access to major economic and social facilities. The required disclosures include significant terms of the arrangement that may affect the amount, timing and certainty of future cash flows. Disclosures are required individually for each service concession arrangement or in aggregate for each class of service concession arrangements.

## **COMPARISON WITH INTERNATIONAL PRONOUNCEMENTS**

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

Entities that comply with Interpretation 129 will simultaneously be in compliance with SIC-29.

International Public Sector Accounting Standards (IPSASs) are issued by the International Public Sector Accounting Standards Board of the International Federation of Accountants. They do not contain specific disclosure requirements concerning service concession arrangements.

**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*

**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 report 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 reports of each other reporting entity; and
  - (c) financial reports that are, or are held out to be, general purpose financial reports.
- Aus7.2 This Interpretation applies to annual reporting periods beginning on or after 1 January 2008.

- 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 The requirements specified in this Interpretation apply to the financial report where information resulting from their application is material in accordance with AASB 1031 *Materiality*.
- Aus7.5 When applicable, this Interpretation supersedes UIG Interpretation 129 *Disclosure – Service Concession Arrangements*, as issued in July 2004.

## **BASIS FOR CONCLUSIONS**

- 8 Paragraph 15 of the *Framework for the Preparation and Presentation of Financial Statements* states that the economic decisions taken by users of financial reports 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* states that financial reports 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 balance sheet and income statement. They may also include disclosures about the risks and uncertainties affecting the entity and any resources and obligations not recognised in the 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 (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 103(c), requires an entity's notes to provide additional information that is not presented 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 AASB 101.11 indicates that notes provide narrative descriptions or disaggregations of items disclosed in the balance sheet, income statement, statement of

changes in equity and cash flow statement, 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]