

New Zealand Equivalent to SIC Interpretation 29
Service Concession Arrangements: Disclosures
(NZ SIC-29)

Issued November 2004 and incorporates amendments up to and including 30 June 2011

This Interpretation was issued by the Financial Reporting Standards Board of the New Zealand Institute of Chartered Accountants and approved by the Accounting Standards Review Board in November 2004 under the Financial Reporting Act 1993. This Interpretation is a Regulation for the purpose of the Regulations (Disallowance) Act 1989.

NZ SIC-29

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ISBN 1-877430-70-6

New Zealand Equivalent to SIC Interpretation 29 *Disclosures—Service Concession Arrangements* (NZ SIC-29) is set out in paragraphs 6 and 7.

NZ SIC-29 should be read in the context of the Basis for Conclusions on SIC-27. The scope and authority of Interpretations are set out in paragraphs 2 and 7–16 of the *Preface to International Financial Reporting Standards*.

Differential Reporting

Qualifying entities must comply with all the provisions in NZ SIC-29.

HISTORY OF AMENDMENTS

Table of Pronouncements – NZ SIC-29 *Service Concession Arrangements: Disclosures*

This table lists the pronouncements establishing and substantially amending NZ SIC-29. The table is based on amendments approved as at 30 June 2011.

Pronouncements	Date approved (ASRB approval)	Early operative date	Effective date (annual reporting periods... on or after ...)
NZ SIC-29 <i>Disclosures—Service Concession Arrangements</i>	Nov 2004 (Approval 44)	1 Jan 2005	1 Jan 2007
NZ IFRIC 12 <i>Service Concession Arrangements</i>	Mar 2005 (Approval 88)	Early application encouraged	1 Jan 2008
<i>Omnibus amendments (2007-1)</i>	Nov 2007 (Approval 95)	Early application permitted	1 Jan 2008

Table of Amended Paragraphs in NZ SIC-29		
Paragraph affected	How affected	By ... [date]
Title	Amended	NZ IFRIC 12 [Mar 2007]
Various	Terminology changed	NZ IFRIC 12 [Mar 2007]
Paragraph 6(e)	Inserted	NZ IFRIC 12 [Mar 2007]
Paragraph 6A	Inserted	NZ IFRIC 12 [Mar 2007]
Effective date	Amended	<i>Omnibus amendments (2007-1)</i> [Nov 2007]

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Service Concession Arrangements: Disclosures (NZ SIC-29)

References

- NZ IAS 1 *Presentation of Financial Statements* (as revised in 2007)
- NZ IAS 16 *Property, Plant and Equipment*
- NZ IAS 17 *Leases*
- NZ IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*
- NZ IAS 38 *Intangible Assets*
- NZ IFRIC 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 New Zealand equivalents to International Financial Reporting Standards (eg NZ IAS 16 applies to acquisitions of items of property, plant and equipment, NZ IAS 17 applies to leases of assets, and NZ IAS 38 applies to acquisitions of intangible assets). However, a service concession arrangement may involve executory contracts that are not addressed in New Zealand equivalents to International Financial Reporting Standards, unless the contracts are onerous, in which case NZ IAS 37 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 should 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).

Basis for Conclusions on SIC-29

8–10 [Paragraphs 8–10 do not form part of NZ SIC-29.]

Effective Date

This Interpretation becomes operative for an entity's financial statements that cover annual accounting periods beginning on or after 1 January 2007. Early adoption of this Interpretation is permitted only when an entity complies with NZ IFRS 1 *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards* for an annual accounting period beginning on or after 1 January 2005.

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 NZ IFRIC 12 for an earlier period, these amendments shall be applied for that earlier period.

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