

NZ SIC-29 (Diff Rep)



NZ SIC Interpretation 29 (Diff Rep)

Service Concession Arrangements: Disclosures (NZ SIC-29 (Diff Rep))

Issued November 2012

This Interpretation was issued by the New Zealand Accounting Standards Board of the External Reporting Board pursuant to section 24(1)(a) of the Financial Reporting Act 1993.

This Interpretation is a Regulation for the purposes of the Regulations (Disallowance) Act 1989.

As at 1 December 2012, the requirements in this Interpretation are identical to the requirements in NZ SIC-29 *Service Concession Arrangements: Disclosures* as applied by qualifying entities. Versions of NZ SIC-29 applied by qualifying entities prior to adoption of this Interpretation are available in the Archived Standards page of the External Reporting Board (XRB) website at xrb.govt.nz

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NZ SIC Interpretation 29 (Diff Rep) *Service Concession Arrangements: Disclosures* (NZ SIC-29 (Diff Rep)) is set out in paragraphs 6 and 7.

NZ SIC-29 (Diff Rep) should be read in the context of the Basis for Conclusions on SIC-29.

Differential Reporting

Qualifying entities must comply with all the provisions in NZ SIC-29 (Diff Rep).

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HISTORY OF AMENDMENTS

Table of Pronouncements – NZ SIC-29 (Diff Rep) *Service Concession Arrangements: Disclosures*

This table lists the pronouncement establishing NZ SIC-29 (Diff Rep).

Pronouncements	Date approved	Early operative date	Effective date (annual reporting periods... on or after ...)
NZ SIC-29 (Diff Rep) <i>Service Concession Arrangements: Disclosures</i>	Nov 2012	Early application permitted	1 Dec 2012

The following tables list the pronouncements establishing and substantially amending NZ SIC-29 as applied by qualifying entities prior to the issue of this Interpretation as NZ SIC-29 (Diff Rep).

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

- NZ IAS 1 (Diff Rep) *Presentation of Financial Statements*
- NZ IAS 16 (Diff Rep) *Property, Plant and Equipment*
- NZ IAS 17 (Diff Rep) *Leases*
- NZ IAS 37 (Diff Rep) *Provisions, Contingent Liabilities and Contingent Assets*
- NZ IAS 38 (Diff Rep) *Intangible Assets*
- NZ IFRIC 12 (Diff Rep) *Service Concession Arrangements*

NZ SIC-29 (Diff Rep) is identical to NZ SIC-29 applied by qualifying entities prior to the issuance of NZ SIC-29 (Diff Rep). That is, there is no change to the recognition, measurement, presentation and disclosure requirements of NZ SIC-29 on adoption of this Interpretation.

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,

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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 NZ IFRS Diff Rep (eg NZ IAS 16 (Diff Rep) applies to acquisitions of items of property, plant and equipment, NZ IAS 17 (Diff Rep) applies to leases of assets, and NZ IAS 38 (Diff Rep) applies to acquisitions of intangible assets). However, a service concession arrangement may involve executory contracts that are not addressed in NZ IFRS Diff Rep, unless the contracts are onerous, in which case NZ IAS 37 (Diff Rep) 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);

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- (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 (eg 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 (Diff Rep).]

Effective Date

<p>A Tier 3 for-profit entity shall apply this Interpretation for annual periods beginning on or after 1 December 2012. Early application is permitted. This Interpretation replaces NZ SIC-29 as applied by qualifying entities prior to the issuance of this Interpretation. There are no changes to the requirements of NZ SIC-29 as it applied to qualifying entities.</p>
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