



New Zealand Equivalent to SIC Interpretation 29

Service Concession Arrangements: Disclosures (NZ SIC-29)

Issued November 2004 and incorporates amendments to 28 February 2018

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New Zealand Equivalent to SIC Interpretation 29 *Service Concession Arrangements: Disclosures* (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-29.

Any New Zealand additional material is shown with either “NZ” or “RDR” preceding the paragraph number.

Reduced Disclosure Regime

NZ IFRIC 29 includes RDR disclosure concessions and associated RDR paragraphs for entities that qualify for and elect to apply Tier 2 for-profit accounting requirements in accordance with XRB A1 *Application of the Accounting Standards Framework*. Entities that elect to report in accordance with Tier 2 accounting requirements are not required to comply with paragraphs in this Interpretation denoted with an asterisk (*). However, an entity is required to comply with any RDR paragraph associated with that disclosure concession.

The following is available within New Zealand on the XRB website as additional material

BASIS FOR CONCLUSIONS ON SIC-29

New Zealand Equivalent to SIC Interpretation 29

Service Concession Arrangements: Disclosures **(NZ SIC-29)**

References

- NZ IFRS 16 *Leases*
- NZ IAS 1 *Presentation of Financial Statements* (as revised in 2007)
- NZ IAS 16 *Property, Plant and Equipment*
- 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 NZ IFRSs (eg NZ IAS 16 applies to acquisitions of items of property, plant and equipment, NZ IFRS 16 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 NZ IFRS, 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 (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.]

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.

Framework: Tier 1 and Tier 2 For-profit Entities, issued in November 2012, amended extant NZ IFRSs by deleting any public benefit entity paragraphs, deleting any differential reporting concessions, adding scope paragraphs for Tier 1 and Tier 2 for-profit entities and adding disclosure concessions for Tier 2 entities. It made no changes to the requirements for Tier 1 entities. A Tier 2 entity may elect to apply the disclosure concessions for annual periods beginning on or after 1 December 2012. Early application is permitted.

NZ IFRS 16, issued in February 2016, amended paragraph 5. An entity shall apply that amendment when it applies NZ IFRS 16.

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 28 February 2018.

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
<i>Framework: Tier 1 and Tier 2 For-profit Entities¹</i>	Nov 2012	Early application permitted	1 Dec 2012
<i>2017 Omnibus Amendments to NZ IFRS (editorial corrections only)</i>	Nov 2017	Early application permitted	1 Jan 2018
NZ IFRS 16 <i>Leases</i>	Feb 2016	Early application permitted	1 Jan 2019

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]
References	Amended	NZ IFRS 16 [Feb 2016]
Paragraph 5	Amended	NZ IFRS 16 [Feb 2016]
Paragraph 6(e)	Added	NZ IFRIC 12 [Mar 2007]
Paragraph 6A	Added	NZ IFRIC 12 [Mar 2007]
Effective date	Amended	<i>Omnibus Amendments (2007-1)</i> [Nov 2007]
Effective date	Amended	<i>Framework: Tier 1 and Tier 2 For-profit Entities</i> [Nov 2012]
Effective date	Amended	NZ IFRS 16 [Feb 2016]

¹ This pronouncement amended extant NZ IFRSs by (i) deleting any public benefit entity paragraphs, (ii) deleting any differential reporting paragraphs, (iii) adding scope paragraphs for Tier 1 and Tier 2 for-profit entities, and (iv) adding RDR disclosure concessions.