
**INTERPRETATION OF
FINANCIAL
REPORTING STANDARD**

INT FRS 29

**Service Concession Arrangements:
Disclosures**

This Interpretation is applicable for annual reporting period beginning on
1 January 2023.

INT FRS 29

Interpretation of Financial Reporting Standard 29 *Service Concession Arrangements: Disclosures* (INT FRS 29) is set out in paragraphs 6–7. The scope and authority of Interpretations are set out in the *Preface to Financial Reporting Standards*.

Interpretation of Financial Reporting Standard 29

Service Concession Arrangements: Disclosures

References

- FRS 1 *Presentation of Financial Statements* (as revised in 2008)
- FRS 16 *Property, Plant and Equipment* (as revised in 2004)
- FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*
- FRS 38 *Intangible Assets* (as revised in 2004)
- FRS 116 *Leases*
- INT FRS 112 *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 Financial Reporting Standards (eg FRS 16 applies to acquisitions of items of property, plant and equipment, FRS 116 applies to leases of assets, and FRS 38 applies to acquisitions of intangible assets). However, a service concession arrangement may involve executory contracts that are not addressed in Financial Reporting

Standards, unless the contracts are onerous, in which case FRS 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 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 (eg toll collections, telecommunications and water treatment services).

Effective date

This Interpretation becomes effective on 1 February 2003.

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 INT FRS 112 for an earlier period, the amendment shall be applied for that earlier period.

FRS 116, issued in June 2016, amended paragraph 5. An entity shall apply that amendment when it applies FRS 116.