

Service concession arrangements: disclosures

REFERENCES

- IAS 1 Presentation of financial statements
- IAS 16 Property, plant and equipment
- IAS 37 Provisions, contingent liabilities and contingent assets
- IAS 38 Intangible assets
- IFRS 16 Leases
- IFRIC 12 Service concession arrangements

ISSUE

A private or public organization (the grantor) enters into an agreement with a second entity (the operator) enabling it to provide various services to the public, such as highways, car parks or telecommunication networks.

The essence of a concession arrangement is based on the rights granted to the operator and on the obligations undertaken by the operator to provide a public service.

The issue involves the information that must be disclosed in the Notes to the financial statements of the operator and the grantor, in the light of the specific features of concession arrangements.

POSITION ADOPTED

For each period, the following information must be provided individually and in aggregate by both the operator and the grantor, by type of service concession arrangement:

- a description of the arrangement, including the impact of its main provisions on the future cash flows;
- the nature and extent of the rights and obligations arising from the arrangement, particularly as regards building items of property, plant and equipment and transfers of fixed assets at the end of the concession period;
- the options for the renewal and termination of the concession and any substantial change occurring during the arrangement.
- how the service arrangement has been classified.

In addition, the operator must 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 when applicable.