

## OBJECTIVE

To prescribe the accounting for service concession arrangements by the operator, including to specify disclosures of service concession arrangements not addressed by other PBE Standards.

## SCOPE

- PBE FRS 45 gives guidance on the accounting by **operators** for service concession arrangements.
- PBE FRS 45 applies to service concession arrangements if:
  - The grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and
  - The grantor controls (through ownership, beneficial entitlement or otherwise) any significant residual interest in the infrastructure at the end of the term of the arrangement.
- PBE FRS 45 applies to both:
  - Infrastructure that the operator constructs or acquires from a third party for the purpose of the service arrangement; and
  - Existing infrastructure to which the grantor gives the operator access for the purpose of the service arrangement.
- PBE FRS 45 does not specify the accounting for infrastructure recognised as PPE by the operator before it entered the service concession agreement.
- PBE FRS 45 does not specify the accounting by grantors (this is addressed by PBE IPSAS 32 - *Service Concession Arrangements: Grantor*)

## ACCOUNTING TREATMENT

### Treatment of the operator's rights over the infrastructure

Infrastructure within the scope of PBE FRS 45 is not recognised as property, plant and equipment of the operator because the contractual service arrangement does not convey the right to control the use of the public service infrastructure to the operator. The operator has access to operate the infrastructure to provide the public service on behalf of the grantor in accordance with the terms specified in the contract.

### Recognition and measurement of arrangement consideration

Under the terms of contractual arrangements within the scope of PBE FRS 45, the operator acts as a service provider. The operator recognises and measures revenue in accordance with PBE IPSAS 11 - *Construction Contracts* and PBE IPSAS 9 - *Revenue from Exchange Transactions* for the services it performs.

### Construction or upgrade services

The operator accounts for revenue and costs relating to construction or upgrade services in accordance with PBE IPSAS 11. If the operator provides construction or upgrade services the consideration received or receivable by the operator is recognised at its fair value. The consideration may be rights to:

- A financial asset (as described below) if it has an unconditional right to receive cash or another financial asset. This when the grantor contractually guarantees to pay the operator a specified amount or the shortfall between amounts received from users and a specified amount.
- An intangible asset if it receives a right (a licence) to charge users of the service. The right to charge users of the service is not an unconditional right to receive cash because the amounts are contingent on the extent that the service is used. See PBE IPSAS 31 paragraphs 44 - 45 for subsequent measurement.

### Financial asset

The amount due from or at the direction of the grantor is accounted for in accordance with PBE IPSAS 29 - *Financial Instruments: Recognition and Measurement*, as:

- A loan or receivable;
- An available-for-sale financial asset; or
- A financial asset at fair value through surplus or deficit, if so designated upon initial recognition and the

conditions for that classification are met.

### Operation services

The operator accounts for revenue and costs relating to operation services in accordance with PBE IPSAS 9..

### Borrowing costs incurred by the operator

In accordance with PBE IPSAS 5 - *Borrowing Costs*, borrowing costs attributable to the arrangement are recognised as an expense in the period in which they are incurred unless the operator has a contractual right to receive an intangible asset. In this case borrowing costs attributable to the arrangement are capitalised during the construction phase of the arrangement in accordance with PBE IPSAS 5.

### Intangible asset

PBE IPSAS 31 - *Intangible Assets* applies to any intangible assets recognised.

### Items provided to the operator by the grantor

Infrastructure items to which the operator is given access by the grantor for the purposes of the service arrangement are not recognised as property, plant and equipment of the operator.

## TIER 2 RDR REPORTERS

RDR Reporters are granted certain disclosure exemptions under PBE FRS 45.