

Guidance on AASB 1059 Disclosures in FY19/20 Financial Statements

AASB 1059 *Service Concession Arrangements: Grantor* (AASB 1059) is effective for financial reporting periods commencing on or after 1 January 2020. This means it will apply for NSW Government agencies with a 30 June year end from 1 July 2020.

This guidance aims to assist agencies in disclosing the impact of AASB 1059 in annual financial reports for FY2019/20 as a “standard issued but not yet effective”.

What information needs to be disclosed under Australian Accounting Standards

Under AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* (AASB 108) para 30-31, when an entity has not applied a new Australian Accounting Standard that has been issued, but is not yet effective, the entity shall disclose:

- a) this fact; and
- b) known or reasonably estimable information relevant to assessing the possible impact of the new standard on the entity’s financial statements.

Therefore, in complying with AASB 108, agencies should disclose:

- a) the title of AASB 1059
- b) the nature of the change
- c) effective date required by AASB
- d) initial application date for the entity; and
- e) a discussion of the impact that initial application is expected to have on the agency’s financial statements. If the impact is not known or reasonably estimable, the agency should include a statement to that effect.

Guidance on pro-forma disclosure

To help agencies comply with AASB 108 in relation to AASB 1059, NSW Treasury has developed a pro-forma disclosure based on the following two scenarios:

1. [if the impact is material to your agency](#)
2. [if the impact is immaterial to your agency](#)

This pro-forma disclosure demonstrates what a possible disclosure could look like, **however agencies will need to tailor the content in the disclosure to suit their specific circumstances.**

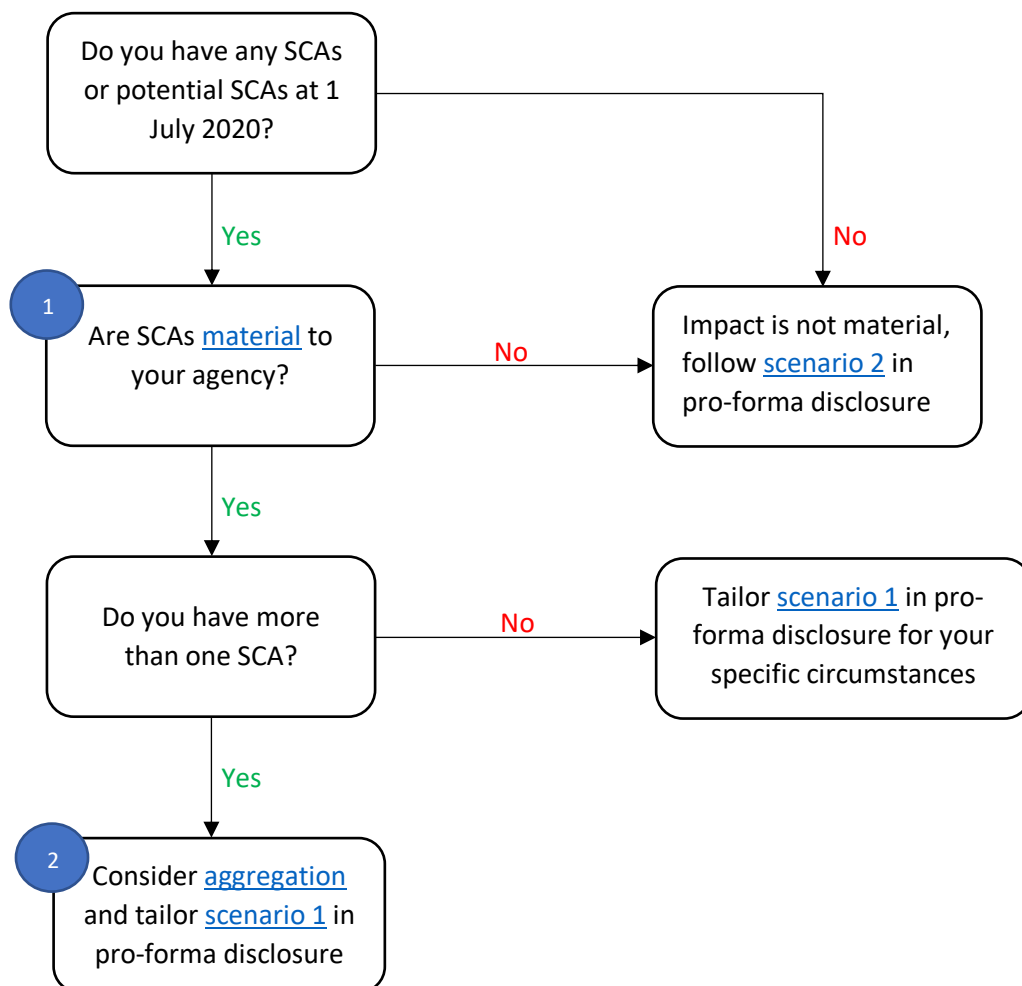
Please follow the decision tree below and apply judgement in developing your disclosure (blue circles in figure 1 below show areas of judgement). If you have any questions or queries, please contact accpol@treasury.nsw.gov.au

Disclosure of the impact of revoking TPP 06-08

The pro-form disclosure does not include the impact of revoking TPP 06-08. Where your agency has arrangements that were previously accounted for under TPP 06-08 and these will not be within the scope of AASB 1059, you will need to make similar disclosures to indicate the impact of revoking TPP 06-08. If you have any questions or queries, please contact accpol@treasury.nsw.gov.au.

Figure 1: Decision tree to navigate disclosure of AASB 1059 as issued but not yet effective in FY 19/20

Please follow this decision tree and apply judgement (blue circles) in developing your disclosures.



Key area of judgement

1. Are these Service Concession Arrangements (SCAs) material to your agency?

- a) Information is material, if omitting, misstating or obscuring it could reasonably be expected to influence decisions that users of general purpose financial statements make on the basis of those financial statements (AASB 2018-7 *Amendments to Australian Accounting Standards – Definitions*).
- b) Materiality depends on the nature (qualitative factors) or magnitude (\$ amount) of information, or both. Agencies will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

2. Consider aggregation and tailor the pro-forma disclosure in scenario 1

As each SCA often has unique facts, where your agency has more than one material SCA, you will need to consider whether to separately disclose each SCA or whether to aggregate the information. It is important the presentation provides useful information for the users to better understand the impact AASB 1059 will have on your agency's financial statements.

Below is an example disclosure where an agency has more than one material SCA, which provides guidance on how to tailor the disclosure in scenario 1.

Summary of impact of AASB 1059

The services concessions identified, and their impact on [consolidated entity/entity]'s assets, liabilities, net result and comprehensive result are summarised as below:

No	Name & description of the SCA <u>OR</u> group of SCAs	Period of the arrangement	Impact on assets as at 1 July 2020	Impact on liabilities as at 1 July 2020	Impact on net result during FY 20/21	Impact on total comprehensive result during FY 20/21
1.						
2.						
3.						

Pro-forma disclosure of impact of AASB 1059 in Financial Statements for FY2019/20 as a Standard Issued But Not Yet Effective

Note: agencies will need to tailor the content in this pro-forma disclosure to suit their specific circumstances

1. If the impact is material¹ to your agency

Note: Use this pro-forma disclosure and tailor to your circumstances if the impact of AASB 1059 on your agency is material.

AASB 1059 *Service Concession Arrangements: Grantor* (AASB 1059) is effective for financial reporting periods commencing on or after 1 January 2020. Therefore, for the [consolidated entity/entity] AASB 1059 will be effective from 1 July 2020. At the same time NSW Treasury Policy and Guideline Paper TPP 06-8: Accounting for Privately Financed Projects (TPP 06-8) will be withdrawn effective from 1 July 2020.

Service concession arrangements (SCAs) are contracts between a grantor and an operator where an operator provides public services related to a service concession asset on behalf of a public sector grantor for a specified period of time and manages at least some of those services.

The entity will adopt AASB 1059 retrospectively by recognising and measuring service concession assets and related liabilities, with any net adjustments to the amounts of assets and liabilities recognised in accumulated funds at the date of initial application of 1 July 2019.

The entity estimates that the adoption of AASB 1059 will impact the transactions and balances recognised in its financial statements as follows:

- At 1 July 2020, [additional] assets of \$xxx and liabilities of \$xxx will be recognised / assets of \$xxx and liabilities of \$xxx will be derecognised], with a corresponding [decrease/increase] in accumulated funds of \$xxx. This includes the reclassification of \$xxx of existing PP&E and intangible assets as service concession assets.
- For the period ended 30 June 2021, net result and total comprehensive result are expected to [decrease/increase] by \$xxx.

Based on the entity's assessment, [description of the arrangement/infrastructure] falls in the scope of AASB 1059. The arrangement involves [XXX] (the operator) in [design/construction /upgrade] of the [description of the assets] controlled by the entity, and to maintain and operate the [description of the assets] for [specified period of time]. In return the operator is compensated [please describe the nature - either directly by the entity or by collecting payments from the public, such as road tolls].

The impact represents management's current best estimate and is still under review. It is possible that the amount recognised in the statement of financial position as at 1 July 2020 and the statement of comprehensive income for the period ended 30 June 2021 will differ from this estimate, as a result of further review of underlying SCAs data and contractual arrangements.

¹ Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements (AASB 2018-7 Amendments to Australia Accounting Standards – Definition of Material (amendments to AASB 101.7))

Please tailor your disclosure to be specific to your agency's arrangements, including consideration of:

- Unique facts and circumstances
- Materiality
- Aggregation where you have more than one SCA

If you have any questions or queries, please contact accpol@treasury.nsw.gov.au

2. If the impact is not material to your agency

Note: Use this pro-forma disclosure if the impact of AASB 1059 on your agency is not material.

AASB 1059 *Service Concession Arrangements: Grantor* (AASB 1059) is effective for financial reporting periods commencing on or after 1 January 2020. Therefore, for the [consolidated entity/entity] AASB 1059 will be effective from 1 July 2020.

Based on the entity's assessment, it is expected that the first-time adoption of AASB 1059 will not have a material impact on the transactions and balances recognised in the financial statements for the year ending 30 June 2021.