

Application of IFRS 16 to service concession arrangement (PFI PPP) liabilities on first time application

Transition

4.3.2.44 The changes to Section 4.3 relating to the measurement of the service concession arrangements liabilities in accordance with the measurement requirements for the lease liability in Section 4.2 and IFRS 16 shall follow the transition requirements for lease liabilities in Section 4.2. However, while paragraph 4.2.2.103 specifies that finance lease liabilities on the date of initial application shall be taken forward at the IAS 17 carrying amount immediately before that date, this treatment should not be applied in cases where the service concession contract provides for variable payments that depend on an index or a rate per paragraph 4.2.2.50 b). In such cases, the balance should be adjusted on the date of initial application to reflect the carrying amount of the liability which would have been calculated as the closing balance in the previous reporting year, based on the index or rate applied to variable payments in the previous reporting year.