

Native Vegetation Fund

Financial report
for the year ended
30 June 2019



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To the Presiding Member Native Vegetation Council

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* I have audited the financial report of the Native Vegetation Fund for the financial year ended 30 June 2019.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Native Vegetation Fund as at 30 June 2019, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2019
- a Statement of Financial Position as at 30 June 2019
- a Statement of Changes in Equity for the year ended 30 June 2019
- a Statement of Cash Flows for the year ended 30 June 2019
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Presiding Member of the Native Vegetation Council, and the Chief Executive and Chief Financial Officer of the Department for Environment and Water.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of the Native Vegetation Fund. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants* have been met.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Chief Executive and the Council for the financial report

The Chief Executive is responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and the Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

The Members of the Council are responsible for overseeing the entity's financial reporting process.

Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Native Vegetation Fund's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with Chief Executive and the Presiding Member, Native Vegetation Council about, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.

A handwritten signature in black ink, appearing to read 'Andrew Richardson', with a long horizontal flourish extending to the right.

Andrew Richardson

Auditor-General

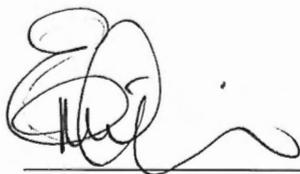
31 October 2019

Native Vegetation Fund
Certification of the Financial Statements
for the year ended 30 June 2019

We certify that the attached general purpose financial statements for the Native Vegetation Fund:

- comply with relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian Accounting Standards
- are in accordance with the accounts and records of the Native Vegetation Fund
- present a true and fair view of the financial position of the Native Vegetation Fund as at 30 June 2019 and the results of its operations and cash flows for the financial year.

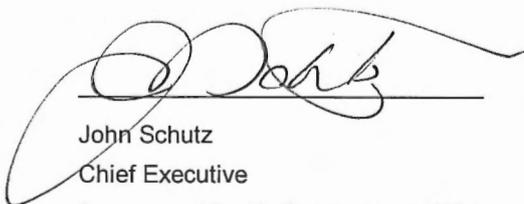
We certify that the internal controls employed by the Native Vegetation Fund for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.



Emily Jenke
Presiding Member
Native Vegetation Council
29 October 2019



Shaun O'Brien
Chief Financial Officer
Department for Environment and Water
29 October 2019



John Schutz
Chief Executive
Department for Environment and Water
29 October 2019

Native Vegetation Fund
Statement of Comprehensive Income
for the year ended 30 June 2019

	Note	2019 \$'000	2018 \$'000
Expenses			
Supplies and services	3.1	75	234
Grants and subsidies	3.2	1 747	1 655
Other expenses	3.3	230	660
Total expenses		2 052	2 549
Income			
Fees and charges	4.2	2 878	2 063
Interest	4.3	100	85
Other income	4.4	30	-
Total income		3 008	2 148
Net benefit from / (cost of) providing services		956	(401)
Revenues from / (payments to) SA Government			
Revenues from SA Government	4.1	1 168	1 138
Total net revenues from SA Government		1 168	1 138
Net result		2 124	737
Total comprehensive result		2 124	737

The accompanying notes form part of these financial statements. The net result and total comprehensive result are attributable to the SA Government as owner.

Native Vegetation Fund
Statement of Financial Position
as at 30 June 2019

	Note	2019 \$'000	2018 \$'000
Current assets			
Cash and cash equivalents	5.1	7 955	6 280
Receivables	5.2	753	286
Total current assets		8 708	6 566
Total assets		8 708	6 566
Current liabilities			
Payables	6.1	73	55
Total current liabilities		73	55
Total liabilities		73	55
Net assets		8 635	6 511
Equity			
Retained earnings		8 635	6 511
Total equity		8 635	6 511

The accompanying notes form part of these financial statements. The total equity is attributable to the SA Government as owner.

Native Vegetation Fund
Statement of Changes in Equity
for the year ended 30 June 2019

	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 2017	5 774	5 774
Net result for 2017-18	737	737
Total comprehensive result for 2017-18	737	737
Balance at 30 June 2018	6 511	6 511
Net result for 2018-19	2 124	2 124
Total comprehensive result for 2018-19	2 124	2 124
Balance at 30 June 2019	8 635	8 635

The accompanying notes form part of these financial statements. All changes in equity are attributable to the SA Government as owner.

Native Vegetation Fund
Statement of Cash Flows
for the year ended 30 June 2019

		2019	2018
		(Outflows)	(Outflows)
		Inflows	Inflows
	Note	\$'000	\$'000
Cash flows from operating activities			
Cash outflows			
Payments for supplies and services		(56)	(223)
Payments of grants and subsidies		(1 747)	(1 719)
Other payments		(230)	(660)
Cash used in operating activities		<u>(2 033)</u>	<u>(2 602)</u>
Cash inflows			
Fees and charges		2 412	2 816
Interest received		98	84
Other receipts		30	-
Cash generated from operating activities		<u>2 540</u>	<u>2 900</u>
Cash flows from SA government			
Receipts from SA government		1 168	1 138
Cash generated from SA government		<u>1 168</u>	<u>1 138</u>
Net cash provided by / (used in) operating activities		<u>1 675</u>	<u>1 436</u>
Net increase / (decrease) in cash and cash equivalents		<u>1 675</u>	<u>1 436</u>
Cash and cash equivalents at the beginning of the period		6 280	4 844
Cash and cash equivalents at the end of the period	5.1	<u>7 955</u>	<u>6 280</u>

The accompanying notes form part of these financial statements.

Native Vegetation Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2019

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Native Vegetation Fund

Notes to and forming part of the financial statements

for the year ended 30 June 2019

1. About the Native Vegetation Fund

The Native Vegetation Fund (the Fund) is established pursuant to section 21 of the *Native Vegetation Act 1991* (the Act).

The Native Vegetation Council is responsible for the administration of the Fund in accordance with the Act.

The financial activities of the Fund are conducted through an interest bearing deposit account established pursuant to section 8 of the *Public Finance and Audit Act 1987* and held with the Department of Treasury and Finance (DTF).

1.1. Basis of preparation

The financial statements are general purpose financial statements prepared in compliance with:

- section 23 of the *Public Finance and Audit Act 1987*;
- Treasurer's Instructions and Accounting Policy Statements issued by the Treasurer under the *Public Finance and Audit Act 1987*; and
- relevant Australian Accounting Standards with reduced disclosure requirements.

For the 2018-19 financial statements the Fund adopted *AASB 9 – Financial Instruments* and is required to comply with new *Treasurer's Instructions (Accounting Policy Statements)* issued on 22 March 2019. Further information is provided in note 7.

The financial statements are prepared based on a 12 month reporting period and presented in Australian currency. The historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured.

The Department for Environment and Water (DEW) prepares a Business Activity Statement on behalf of the Fund under the grouping provisions of the GST legislation. Under these provisions, DEW is liable for the payments and entitled to the receipts associated with GST. Therefore the Fund's net GST receivable/payable is recorded in DEW's Statement of Financial Position. GST cash flows applicable to the Fund are recorded in DEW's Statement of Cash Flows.

Assets and liabilities that are to be sold, consumed or realised as part of the normal operating cycle have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

1.2. Objectives and programs

Objectives

The major purpose of the Fund is to provide funds to be applied for research, preservation, enhancement and management of native vegetation in South Australia and encouraging the re-establishment of native vegetation on land from which it has been previously cleared.

Programs

In achieving its objectives, the Fund conducts all of its activities through the one program - to provide funds to be applied for research, preservation, enhancement and management of native vegetation in South Australia and encouraging the re-establishment of native vegetation on land from which it has been previously cleared.

Native Vegetation Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2019

2. Board, committees and employees

2.1. Key management personnel

Key management personnel of the Fund include the Minister for Environment and Water and the members of the Native Vegetation Council. The compensation of the Fund's key management personnel was \$54 000 (2018: \$52 000).

The compensation disclosed in this note excludes salaries and other benefits the Minister for Environment and Water receives. The Minister's remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via the Department of Treasury and Finance) under section 6 of the *Parliamentary Remuneration Act 1990*.

Transactions with key management personnel and other related parties

No transactions with key management personnel or related parties occurred during 2018-19.

2.2. Remuneration of council and committee members

Members during 2018-19 financial year were:

Native Vegetation Council	Native Vegetation Assessment Panel
E C Jenke (Presiding Member)	M C Roche
J L Keynes (retired August 2018)	K L Muller (deputy)
P A Morgan (deputy) (retired November 2018)	J H Neal
K L Muller (deputy)	J L Keynes (retired August 2018)
J H Neal	
P A Paton	
M C Roche	
N P P Sommerville	
R B Wickes (deputy)	

* In accordance with the Premier and Cabinet's Circular No. 016, government employees did not receive any remuneration for board/committee duties during the financial year.

Board and committee remuneration

The number of members whose remuneration received or receivable falls within the following bands:

	2019	2018
\$0 - \$19 999	8	9
\$20 000 - \$39 999	1	1
Total number of members	9	10

Remuneration of members reflects all costs of performing board member duties including sitting fees, superannuation contributions, salary sacrifice benefits and fringe benefits and any FBT paid or payable in respect of those benefits. The total remuneration received or receivable by members was \$55 000 (2018: \$52 000) and has not been recognised in these financial statements. The remuneration of members is provided by DEW.

For the purposes of this table, travel allowances and other out-of-pocket expenses paid to members have not been included as remuneration as it is considered to be reimbursement of direct out-of-pocket expenses incurred by relevant members.

Native Vegetation Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2019

3. Expenses

3.1. Supplies and services

	2019	2018
	\$'000	\$'000
Legal costs	22	-
Minor works	20	34
General administration	15	3
Accommodation and property	9	11
Contractors	4	163
Travel and accommodation	3	3
Fee for service	1	20
Other	1	-
Total supplies and services	75	234

Operating Leases

Operating lease payments (less any lease incentives) are recognised on a straight-line basis over the lease term.

3.2. Grants and subsidies

	2019	2018
	\$'000	\$'000
Contribution to the Native Vegetation Council Secretariat for Biodiversity Assessment Function	411	166
Contribution to Incentives Program NVC	321	-
Research grants	313	626
Contribution to DEW Investigations and Compliance Unit	204	196
Contribution to DEW for Change Detection Program	113	106
Contribution to the Native Vegetation Council for Council Operating Costs	78	90
Contribution to DEW for Manager Native Vegetation Management Unit	71	138
Contribution to the Native Vegetation Council Secretariat for NVC Administrative Support	63	121
Contribution to DEW for Coordinator, Assessment and Stakeholder Liaison	63	61
Contribution to DEW for Coordinator, Governance and Administration	58	109
Contribution to DEW for Operating Costs NVMU	52	42
Total grants and subsidies	1 747	1 655

For contributions payable, the contribution will be recognised as a liability and expense when the entity has a present obligation to pay the contribution and the expense recognition criteria are met. All contributions paid by the Fund have been contributions with unconditional stipulations attached.

Native Vegetation Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2019

3.3. Other expenses

	2019	2018
	\$'000	\$'000
Assets transferred for nil consideration *	220	650
Audit fees paid/payable to the Auditor-General's Department	10	10
Total other expenses	230	660

* During the year land adjacent to Kaiserstuhl Conservation Park was purchased through the Native Vegetation Fund. The land parcel was subsequently transferred to the Crown for nil consideration, followed by its reversion to unalienated Crown Land, pursuant to the Crown Lands Management Act 2009. Crown Land is under the care and control of the Minister for Environment and Water and is reported in the DEW Administered financial statements.

4. Income

4.1. Revenues from / (payments to) SA Government

	2019	2018
	\$'000	\$'000
Revenues from SA Government		
Grants from SA Government	1 168	1 138
Total revenues from SA Government	1 168	1 138
Net revenues from SA Government	1 168	1 138

Grants from SA Government for program funding are recognised as revenues when the Fund obtains control over the funding. Control over Grants from SA Government is normally obtained upon receipt.

4.2. Revenues from fees and charges

	2019	2018
	\$'000	\$'000
Significant environmental benefits *	2 746	1 843
Fees, fines and penalties	132	220
Total revenues from fees and charges	2 878	2 063

* The owner of land on which native vegetation is growing or is situated, may apply for consent to clear the vegetation under section 28 of the Act. In consenting to the clearance of native vegetation under section 29 of the Act, the Council may attach a condition requiring the applicant to make a payment into the Fund of an amount considered by the Council to be sufficient to achieve a significant environmental benefit. The monies paid into the Fund must as far as practicable, be used to establish or regenerate native vegetation on land that is within the same region of the state as the cleared land and that has been selected by the Council for that purpose having regard to the Regional Biodiversity Plans approved by the Minister for that region.

Revenues from fees and charges are recognised when invoices are raised.

4.3. Interest revenues

	2019	2018
	\$'000	\$'000
Interest from entities within the SA Government	100	85
Total interest revenues	100	85

Native Vegetation Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2019

4.4. Other income

	2019	2018
	\$'000	\$'000
Refund of unspent grant funds	30	-
Total other income	30	-

5. Financial assets

5.1. Cash and cash equivalents

	2019	2018
	\$'000	\$'000
Deposits with the Treasurer	7 955	6 280
Total cash and cash equivalents	7 955	6 280

Cash is measured at nominal value.

The Fund invests surplus funds with the Treasurer. Interest is earned on the average monthly balance at rates based on the DTF 90 day average overnight cash interest rate and interest is paid at the end of each quarter.

5.2. Receivables

	2019	2018
	\$'000	\$'000
<u>Current</u>		
Receivables	744	279
Accrued interest	9	7
Total current receivables	753	286
Total receivables	753	286

Receivables arise from fees and penalties and compensation payments in respect to offences against the Act. Receivables are normally settled within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement. Receivables are non-interest bearing. Receivables are held with the objective of collecting the contractual cash flows and they are measured at amortised cost.

Native Vegetation Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2019

6. Liabilities

6.1. Payables

	2019 \$'000	2018 \$'000
<u>Current</u>		
Trade payables	63	45
Accrued expenses	10	10
Total current payables	<u>73</u>	<u>55</u>
Total payables	<u>73</u>	<u>55</u>

Creditors and accruals are raised for all amounts owing but unpaid. Sundry creditors are normally settled within 30 days from the date the invoice is first received. All payables are non-interest bearing. The carrying amount of payables represents fair value due to their short-term nature.

7. Changes in accounting policy

7.1. Treasurer's Instructions (Accounting Policy Statements)

On 22 March 2019 the *Treasurer's Instructions (Accounting Policy Statements) 2019* were issued by the Treasurer under the *Public Finance and Audit Act 1987*. The Accounting Policy Statements replaced the following Accounting Policy Frameworks:

- Purpose and Scope
- General Purpose Financial Statements Framework
- Asset Accounting Framework
- Financial Asset and Liability Framework
- Income Framework
- Definitions.

The new Accounting Policy Statements have largely been prepared on a no-policy change basis. Changes that impact on these financial statements are:

- removal of the additional requirement to report transactions with the SA Government
- increasing the bands from \$10,000 to \$20,000 for employee and board member reporting.

These changes, however, do not impact on the amounts reported in the financial statements.

7.2. AASB 9 Financial instruments

AASB 9 Financial Instruments replaces the provisions of AASB 139 that relate to recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of AASB 9 from 1 July 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in financial statements.

The adoption of AASB 9 has not had a significant effect on the recognition, measurement or classification of financial liabilities.

Native Vegetation Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2019

8. Outlook

8.1. Unrecognised contractual commitments

The Fund has no unrecognised contractual commitments as at 30 June 2019.

8.2. Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value.

As at the reporting date, criminal proceedings have commenced against several landowners who have been alleged to have breached the Act. Civil proceedings had also commenced against landowners who have been convicted of breaching the Act.

The potential amount of fines and/or damages to be received should the proceedings be successful are not quantifiable and as such no estimate of the potential financial effect can be made. There is also the potential for costs to be awarded against the Council for any unsuccessful prosecutions.

8.3. Restrictions on contributions received

The Council is restricted on its use of monies in the Fund according to the provisions of the Act. Section 21(6) of the Act specifies that the Council must as far as practicable, use monies paid into the Fund to achieve a significant environmental benefit to offset the approved clearance of native vegetation. Expiation fees, penalties handed down by the Magistrates Court, financial benefits (as determined by the Environment, Resources and Development Court (ERD)) gained from illegal clearance and exemplary damages (as determined by the ERD Court), must be spent within the same region of the State as the land cleared.

Fines, penalties and charges of significant environmental benefit are to be utilised in the following areas:

	2019	2018
	\$'000	\$'000
Mount Lofty Ranges Greater Basin	2 236	1 751
SA Murray Darling Basin	1 450	1 422
SA Arid Lands	1 144	746
Northern & Yorke Agricultural District	947	944
Alinytjara Wilurara	725	299
South East	370	321
Kangaroo Island	277	273
Eyre Peninsula	273	246
Total restrictions on contributions received	7 422	6 002

8.4. Events after the reporting period

There are no known events after balance date that affect these financial statements in a material manner.

Native Vegetation Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2019

9. Measurement and risk

9.1. Financial instruments

Financial risk management

Risk management is managed by DEW's corporate services section and DEW's risk management policies are in accordance with the *Risk Management Policy Statement* issued by the Premier and Treasurer and the principles established in the Australian Standard *Risk Management Principles and Guidelines*.

The Fund's exposure to financial risk (liquidity, credit and market) is low due to the nature of the financial instruments held.

Liquidity risk

The Fund is funded principally by revenues from significant environmental benefits raised under the Act. The Council and DEW works with DTF to determine the cash flows associated with its approved program of work.

There have been no changes in risk exposure since the last reporting period.

Categorisation of financial instruments

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument are disclosed in the respective financial asset/financial liability note.

Classification applicable until 30 June 2018 under AASB 139 Financial Instruments: Recognition and Measurement

The carrying amounts are detailed below of each of the following categories of financial assets and liabilities:

- Loan and receivables
- Financial liabilities measured at cost.

Native Vegetation Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2019

9.1. Financial instruments (continued)

Classification applicable from 1 July 2018 under AASB 9 Financial Instruments

On initial recognition, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income (FVOCI) – debt instrument, FVOCI – equity instrument or fair value through profit or loss.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest only on the principal amount outstanding.

The Fund measures all financial instruments at amortised cost.

Category of financial asset and financial liability	2019 Carrying amount \$'000	2018 Carrying amount \$'000
<u>Financial assets</u>		
Cash and cash equivalents		
Cash and cash equivalents	7 955	6 280
Financial assets at amortised cost		
Receivables	753	286
Total financial assets	8 708	6 566
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Payables	63	45
Total financial liabilities	63	45

The receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables (for example, Commonwealth, State and Local Government taxes, fees and charges; Auditor-General's Department audit fees). In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levies, tax and equivalents, etc. they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at amortised cost.