



# PRIMARY ETHICS LIMITED

ACN 147 194 349

## Financial Report for the year ended 30 June 2022

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## DIRECTORS REPORT

The directors have pleasure in submitting the financial statements of the Company for the year ended 30 June 2022 and report as follows:

### DIRECTORS

The names of the directors in office during the year and at the date of this report are:

Name	Other roles
Mr Bruce Hogan AM (Chair)	Founder and Chairman of the Hogan Family Foundation and a director of the Stolen Generations Testimonies Foundation. Bruce has had an extensive non-executive director career following his executive career in investment banking, primarily with Bankers Trust Australia. Past directorships include Chairmanship of Snowy Hydro Ltd, State Super Financial Services, Adelaide Casino and the Coles Myer Superannuation Fund and non-executive director of NSW Treasury Corporation, Coles Myer, Metcash, GIO, Funds SA and Energy Australia.
Dr Simon Longstaff AO	Simon Longstaff began his working life on Groote Eylandt in the Northern Territory of Australia. He is proud of his kinship ties to the Anindilyakwa people. After a period studying law in Sydney and teaching in Tasmania, he pursued postgraduate studies as a Member of Magdalene College, Cambridge. In 1991, Simon commenced his work as the first Executive Director of The Ethics Centre. In 2013, he was made an officer of the Order of Australia (AO) for “distinguished service to the community through the promotion of ethical standards in governance and business, to improving corporate responsibility, and to philosophy.” Simon is an Adjunct Professor of the Australian Graduate School of Management at UNSW, a Fellow of CPA Australia, the Royal Society of NSW and the Australian Risk Policy Institute.
Ms Robin Low	Non-executive director of Appen Limited, AUB Group Limited, IPH Limited and Marley Spoon AG. Robin is a former PricewaterhouseCoopers partner and had a career of over 28 years with the firm. She is a past Deputy Chairman of the Auditing and Assurance Standards Board. She is also on the boards of the Sax Institute and Guide Dogs NSW-ACT. She resigned from the Board on 9 <sup>th</sup> November 2021
Mr Nigel Stokes	Has held the role of Financial Adviser in the NSW Government for 10 years working on a number of Government projects. At Bankers Trust Nigel worked on a series of significant privatisations including GIO, NSW State Bank and NSW TAB. He also advised on the demutualisation of the ASX as well as consulting to the NSW Treasury Corporation on risk strategy.
Ms Chris Erskine	A marketing leader who brings her experience to help Primary Ethics build its brand with authenticity and purpose. In her career, Chris leads with passion, focus and energy and has helped shape the marketing, artist and brand agenda within some of the world’s most recognisable entertainment entities such as Andrew Lloyd Webber’s production company (Cats, Phantom of the Opera) and the Top Gear Festival (with BBC Australia), and the Sydney Opera House. Chris is currently SVP of Marketing and Promotions at Warner Music Group for Australia and New Zealand. She resigned from the Board on 7 <sup>th</sup> June 2022
Ms Justine Felton	An experienced director who brings strategic expertise in social impact and sustainability, having worked for 20 years in leadership and management roles across the not-for-profit, business and public sectors within the UK and Australia. For

	Justine, joining the Primary Ethics Board brings together many passions; the evolving role of education, the chance to unlock the skills and drive of volunteers, and the measurement of Primary Ethics' impact.
Mr Stephen Knight	Stephen is a finance industry professional with more than 40 years' experience in executive and non-executive roles. He held senior financial markets roles at ANZ and UBS and was CEO at NSW TCorp from 2005-2015. Steve currently chairs the ASX Clearing & Settlement Boards, the Australian Office of Financial Management (AOFM) Audit Committee, and the Bond Issuance and Due Diligence Committee for the National Housing Finance & Investment Corporation (NHFIC). He is a non-executive director with Hall & Wilcox and Sydney Financial Forum and coaches a number of senior executives across a range of industries. Stephen was appointed as a Director by the Board in August 2021
Mr Roger Reidy	Provides HR and strategy advice and consults across a wide range of businesses including several top tier corporations. Roger joined Primary Ethics in 2011, providing leadership for the Classroom Support Team while also offering pro bono human resources advice and recruitment skills for senior managers, and acting as CEO when necessary.

## COMPANY INFORMATION

Primary Ethics Limited (the "Company") is a not-for-profit organisation Limited by Guarantee and domiciled in Australia. The registered office and principal place of business is Suite 303, 24-30 Springfield Avenue Potts Point NSW 2011. The Company was incorporated on 4 November 2010.

## OBJECTIVES, STRATEGIES AND PRINCIPAL ACTIVITIES

1. Provide philosophical ethics education to children in public schools who do not attend special religious education classes.
2. Develop an engaging ethics curriculum and learning/teaching materials that are age appropriate and deliverable to urban, regional and rural schools.
3. Manage quality control over the ethics curriculum content and its delivery.
4. Attract, select, recruit and train suitable volunteer ethics teachers.
5. Coordinate the curriculum delivery via volunteer ethics teachers.
6. Provide a mechanism for receiving and reacting to complaints relating to the provision of ethics education.
7. To carry out such other functions and purposes which are necessary or incidental to the other objects of the Company, on the basis that the Company operates as a not-for-profit company.

In achieving these objectives, Primary Ethics Limited will establish and expand collaborative partnerships.

Primary Ethics Limited measures its achievements through a suite of key performance indicators established at Board Level.

## OPERATING RESULTS FOR THE PERIOD

The net result for the year ending 30 June 2022 was a surplus of \$ 203,718 ( 2021: Profit of \$ 3,123,567 ).

## SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There has been no significant change in the state of affairs of the Company during the year.

## INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company held Directors and Officers liability insurance during the year which indemnifies the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable.

## DIRECTORS' MEETINGS

The Primary Ethics Limited Board met on 6 occasions during the year ended 30 June 2022. The number of meetings attended by each director and the number of meetings during their tenure is set out in the following table:

Name	Attended	Eligible to attend
Mr Bruce Hogan	6	6
Dr Simon Longstaff	4	6
Ms Robin Low	2	2
Mr Nigel Stokes	5	6
Ms Chris Erskine	4	6
Mr Stephen Knight	6	6
Ms Justine Felton	6	6
Mr Roger Reidy	5	6

## SIGNIFICANT EVENTS AFTER THE BALANCE DATE

There has been no significant change in the state of affairs of the Company during the year.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS IN THE ENTITY'S OPERATIONS

At the date of this report, the directors are not aware of any developments likely to have a significant effect upon Primary Ethics Limited's operations.

## MEMBERS' GUARANTEE

Primary Ethics Limited is a company Limited by Guarantee and in accordance with its Constitution, in the event of Primary Ethics Limited being wound up, the liability of members will not exceed \$5.00 per member as per Clause 21.9 of the Constitution. Primary Ethics Limited has one member (The Ethics Centre Ltd).

## AUDITOR'S INDEPENDENCE

The directors have received an independence declaration from the auditor of Primary Ethics Limited, KPMG and a copy is attached to this report.

This report has been made in accordance with a resolution of the directors.

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*Signature*

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*Signature*

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*Bruce Hogan*

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*Stephen Knight*

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[Director](#)

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[Director](#)

*Title*

*Title*

Dated this 15<sup>th</sup> day of December 2022, Sydney, NSW.

# INDEPENDENCE DECLARATION



# INCOME STATEMENT

for the financial year ended 30 June 2022

<b>Revenue</b>	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
<b>Fundraising Activities</b>		
Donations	3,380,754	2,513,302
Non - Government Grants	-	-
	<hr/> 3,380,754	<hr/> 2,513,032
<b>Trading Activities</b>		
Interest	5,123	17,823
Dividends and distributions	839,878	688,888
Realised gains/(loss)	(1,331,770)	1,636
Unrealised gains/(loss)	(849,751)	1,363,528
Investment Rebates	33,177	33,035
ATO Cash Boost	-	50,000
Other incidental income	37,990	7,900
	<hr/> (1,265,353)	<hr/> 2,162,810
<b>Total revenue</b>	<hr/> <b>2,115,401</b>	<hr/> <b>4,675,842</b>
<b>Operating Expenditure</b>		
Employee & sub-contractor benefits expense	1,410,577	907,448
Administration expenses	27,418	9,763
Investment expenses	21,439	24,131
Contractors & professional services expenses	274,776	183,715
Insurance	20,002	11,251
Marketing & communication expenses	3,239	8,606
Occupancy expenses	-	49,851
Information technology expenses	123,003	351,548
Travel, accommodation and other expenses	31,229	5,962
<b>Total expenditure</b>	<hr/> <b>1,911,683</b>	<hr/> <b>1,552,275</b>
<b>Surplus/(Deficit) from continuing operations before income tax</b>	<hr/> <b>203,718</b>	<hr/> <b>3,123,567</b>

The Income Statement is to be read in conjunction with the attached notes.

# BALANCE SHEET

as at 30 June 2022

	Note	2022 (\$)	2021(\$)
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3(b)	5,897,129	3,055,995
Trade and other receivables		74,525	28,042
Tax Credits		45,007	30,000
<b>TOTAL CURRENT ASSETS</b>		<b>6,016,661</b>	<b>3,114,037</b>
<b>NON-CURRENT ASSETS</b>			
Investments	9	10,611,415	13,162,315
Intangibles		-	-
Property, Plant and Equipment		18,869	14,878
Right-of-Use Assets		-	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>10,630,284</b>	<b>13,177,193</b>
<b>TOTAL ASSETS</b>		<b>16,646,945</b>	<b>16,291,230</b>
<b>CURRENT LIABILITIES</b>			
Trade and Other Payables		63,685	6,554
Superannuation Payable		43,026	8,054
Provision for Employee Entitlements		111,175	87,191
Tax Liabilities		46,429	10,519
<b>TOTAL CURRENT LIABILITIES</b>		<b>264,315</b>	<b>112,318</b>
<b>TOTAL LIABILITIES</b>		<b>264,315</b>	<b>112,318</b>
<b>NET ASSETS</b>		<b>16,382,630</b>	<b>16,178,912</b>
<b>FUNDS</b>			
Retained earnings at the start of the year		16,178,912	13,055,345
Current year surplus/(deficit)		203,718	3,123,567
<b>TOTAL FUNDS</b>		<b>16,382,630</b>	<b>16,178,912</b>

The Balance Sheet is to be read in conjunction with the attached notes.

## STATEMENT OF CHANGES IN EQUITY

for the financial year ended 30 June 2022

	<b>Retained Earnings</b>
As at 1 July 2021	16,178,912
Net surplus for the year	<u>203,718</u>
<b>As at 30 June 2022</b>	<b><u>16,382,630</u></b>

	<b>Retained Earnings</b>
As at 1 July 2020	13,055,345
Net surplus for the year	<u>3,123,567</u>
<b>As at 30 June 2021</b>	<b><u>16,178,912</u></b>

The Statement of Changes in Equity is to be read in conjunction with the attached notes.

# STATEMENT OF CASH FLOWS

for the financial year ended 30 June 2022

	Note	2022 (\$)	2021 (\$)
<b>Cash Flows from Operating Activities</b>			
Cash receipts from donors		3,418,744	2,520,932
ATO Cash Boost		-	5,413
Payments to suppliers and employees		(1,632,075)	(1,421,221)
Franking credits received		30,002	88,257
Interest received		5,123	17,823
<b>Net cash flows from operating activities</b>	<b>3(a)</b>	<b>1,821,794</b>	<b>1,211,204</b>
<b>Cash Flows from Investing Activities</b>			
Purchase of investments		(7,552,879)	(3,652,730)
Sale of investments		8,581,670	30,055
Purchase of fixed assets		(9,451)	(8,313)
<b>Net cash flows (used in)/from investing activities</b>		<b>1,019,340</b>	<b>(3,630,988)</b>
<b>Cash Flows from Financing Activities</b>			
Payment of lease liabilities		-	(44,795)
<b>Net cash flows (used in)/from financing activities</b>		<b>-</b>	<b>(44,795)</b>
Net increase in cash held		2,841,134	(2,464,579)
Cash at the beginning of the financial year		3,055,995	5,520,574
<b>Cash at the end of the financial year</b>	<b>3(b)</b>	<b>5,897,129</b>	<b>3,055,995</b>

The Statement of Cash Flows is to be read in conjunction with the attached notes.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2022

## 1. Corporate information

The financial report of Primary Ethics Limited for the year ended 30 June 2022 was authorised in accordance with a resolution of the directors on 14 December 2022. The Company is a company Limited by Guarantee, incorporated on 4 November 2010 and domiciled in Australia.

Primary Ethics Limited is a not-for-profit entity.

## 2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of this financial report are set out below. These policies are consistently applied unless otherwise stated.

### (a) *Basis of preparation*

These consolidated financial statements are the first general purpose financial statements prepared in accordance with Australian Accounting Standards – Simplified Disclosures. In the prior year, the consolidated financial statements were general purpose financial statements prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements. There was no impact on the recognition and measurement of amounts recognised in the statements of financial position, profit and loss and other comprehensive income and cash flows of the Company as a result of the change in the basis of preparation.

The financial report has also been prepared in accordance with the requirements of the *Australian Charities and Not-for-profit Commission Act 2012* and the *Charitable Fundraising Act 1991*.

The financial statements have been prepared in accordance with the historical cost convention except for investments, which are measured at fair value.

The financial statements have been prepared on a going concern basis, which assumes that the Company will realise its assets and discharge its liabilities in the normal course of business.

The financial report is presented in Australian dollars.

### ***New and revised standards that are effective for these financial statements***

The Company has initially adopted the following standard and amendments from 1 July 2021:

- AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*; and
- AASB 2020-2 *Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities*.

The above standard and amendments did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

A number of other new standards are also effective from 1 July 2021 but they do not have a material impact on the Company's financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2022

## ***Change in accounting interpretations***

On 1 July 2020, the Company applied for the first time, certain standards and amendments which were effective in the prior year. The nature of the changes are described below.

Software-as-a-Service (SaaS) arrangements are service contracts providing the Company with the right to access the cloud provider's application software over the contract period. As such the Company does not receive a software intangible asset at the contract commencement date.

The Company's arrangements have typically been configured and customised by third parties which is considered distinct from the underlying SaaS software. As such, these services are expensed.

Recognise as an operating expense over the term of the service contract	<ul style="list-style-type: none"><li>• Fee for use of application software</li><li>• Customisation costs (not distinct)</li></ul>
Recognise as an operating expense as the service is received	<ul style="list-style-type: none"><li>• Customisation costs (distinct)</li><li>• Configuration costs</li><li>• Data conversion and migration costs</li><li>• Testing costs</li></ul>

Costs incurred for the development of software code that enhances or modifies or creates additional capability to existing on-premise systems and meets the definition of recognition criteria for an intangible asset are recognised as intangible software assets. Refer to Note 2(o) for an outline of accounting for intangible assets.

## ***(b) Impacts of Coronavirus (COVID-19)***

The Directors have considered the impact of COVID-19 and other market volatility in preparing its financial statements. Given the dynamic and evolving nature of COVID-19, as well as recent experience of the economic and financial impacts of such a pandemic, changes in the measurement of the Group's assets and liabilities may arise in the future.

COVID-19 pandemic has directly affected the operations of Primary Ethics in the reporting period as follows:

- A second significant lockdown of PE classes in public schools for the first half of FY22 did not affect PE's overall financial position, with markets remaining largely stable through the FY, strengthening somewhat as the year came to a close.
- Volunteer-led activities (and thus ethics classes) were closed under Department mandate for the second half of 2021, and thus volunteer contributions put on hold, however FY20 strategies to ensure volunteer retention and continued school engagement were adopted with some further refinements, meaning little reduction in volunteer numbers, and rapid re-opening of classes as restrictions eased.
- Online training remained PE's preferred training mode even as Covid restrictions eased. However the significant FY21 increase in per capita volunteer training cost, as PE switched to a predominantly online model was somewhat reduced through a redesign of modules and measured increases in cohort sizes for selected modules.
- Since the commencement of the current financial year, lockdowns in NSW prevented delivery of ethics classes in schools in the first half of the financial year. Effort was instead directed to further development and delivery of our digital product for students called "Bites", distributed by the NSW

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2022

Department of Education and via our website. Specific engagement strategies were implemented to aid volunteer retention through the non-teaching lockdowns. The impact on donation and grant income is so far immaterial.

## **(c) Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of three months or less. For the statement of cash flows, cash and cash equivalents consist of the cash and cash equivalents as defined above.

## **(d) Trade and other receivables**

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred. Refer note 2(j) for further details on impairment.

## **(e) Investments**

Investments are initially measured at cost and subsequently measured at fair value. Gains or losses on investments are recognised in the Income Statement.

Purchases and sales of financial assets that require delivery of assets within the timeframe generally established by regulation or convention in the market place are recognised on the trade date i.e. the date that the Company commits to purchase the asset.

Fair values of investments and derivatives have been determined as follows:

*Shares in listed entities and other fixed interest securities:*

- at last sale price quoted by the Stock Exchange at close of business on the balance date;

*Shares in unit trusts:*

- unit trusts are valued on the basis of the exit prices determined by the managers of the trusts at the balance date

## **(f) Significant Accounting Estimates and Assumptions**

No estimates and assumptions have been made that affect the recognised amounts of assets, liabilities, revenues and expenses.

## **(g) Revenue Recognition**

Revenues are recognised at fair value of the consideration received or receivable by the company, net of the amount of goods and services tax (GST).

### **(i) Donation income and sponsorship**

Revenue from fundraising activities, being donations, sponsorship and ticket sales is recognised as revenue only when the recipient obtains control over the funds.

### **(ii) Grants**

Grants received are recognised as revenue when the Company obtains control over the asset comprising the contributions. When the Company does not have control of the contribution or does not have the right to

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2022

receive the contribution or has not fulfilled grant conditions, the grant contribution is treated as deferred income.

Deferred income is matched against expenditure in the year the expenditure is incurred and in accordance with funding body requirements when services are performed, or conditions fulfilled.

## *Investment Income*

### (iii) Interest

Interest income is recognised as it accrues, using the effective interest method.

### (iv) Dividends/Distributions

Dividend income from investments is recognised when the shareholder's or unit holder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

### (v) Unrealised gains/(losses) on investments

Unrealised gains/(losses) are calculated as the difference between the fair value at balance date and the fair value at the previous valuation point. All changes are recognised in the Income Statement in the period in which they occur.

### (vi) In-kind donations

The accounting policy of the Company is not to recognise in-kind donations ('non-reciprocal transfers'), being facilities and services donated and services rendered by volunteers or where a third party is bearing the cost.

## ***(h) Taxation***

The Company is a charitable institution for the purposes of Australian taxation legislation and is therefore exempt from income tax. This exemption has been confirmed by the Australian Taxation Office. The company receives tax imputation credits on eligible investment income.

### (i) Goods and services tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST except where the amount of GST incurred is not recoverable from the Australian Taxation Office, in which case it is recognised as part of the cost of acquisition of an asset or as part of an item of expense.

### (ii) Receivables and payables are recognised inclusive of GST.

The net amount of GST recoverable from or payable to the Australian Taxation Office is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from or payable to the Australian Taxation Office is classified as operating cash flows

## ***(i) Impairment of financial assets***



# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2022

The Company records expected credit losses (ECL) on all of their receivables, and cash and cash equivalents, either on a 12-month or lifetime basis. At 30 June 2022 and 30 June 2021, all receivables and cash and cash equivalents are either callable on demand or due to be settled within 6 months.

## ***(j) Fundraising***

As a charitable institution, the Company has requirements under the Charitable Fundraising Act 1991. This Act provides the manner in which fundraising appeals are conducted, controlled and reported. These are shown in Note 11 of the financial statements.

## ***(k) Provisions for Employee Entitlements***

Provision is made for employee entitlement benefits accumulated as a result of employees rendering services up to reporting date. These benefits include wages, salaries, annual leave, sick leave and long service leave.

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in provision for employee entitlements in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when leave is taken and are measured at the rates paid or payable.

The Company contributes to various superannuation funds in respect of its superannuation obligations for its employees. A superannuation contribution of 10.0% (2021: 9.5%) of the employees' salaries and wages is legally enforceable. Funding is provided to accumulation contribution style funds only.

## ***(l) Current vs Non-Current classification***

The Company presents assets and liabilities in the balance sheet based on current/non-current classification. An asset is classified as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

## ***(m) Trade and other payables***

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid and are stated at cost. The amounts are unsecured and are usually paid

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2022

within 90 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date.

## **(n) Property, plant and equipment**

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Subsequent costs are included in the asset's carrying amount, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

The depreciation rates for each major class of asset are as follows:

- Office equipment 10% - 25%
- Software 30% - 50%

Property, plant and equipment are assessed for impairment where there is an indication of impairment. Where impairment exists, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognised in the income statement. The depreciation charge for the asset is then adjusted to reflect the asset's revised carrying amount.

## **(o) Intangibles**

Intangible assets are recognised if, and only if:

- i. it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- ii. the cost of the asset can be measured reliably.

### **Acquired intangible assets**

Acquired direct costs directly attributable cost of preparing the asset for its intended use.

Examples of directly attributable costs are:

- i. costs of employee benefits arising directly from bringing the asset to its working condition;
- ii. professional fees arising directly from bringing the asset to its working condition; and
- iii. cost of testing whether the asset is functioning properly.

Acquired computer software licences, software development and design of educational learning platforms are capitalised on the basis of the costs incurred to acquire and install the specific software platform being developed.

### **Subsequent measurement**

All intangible assets are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives, as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing. The following useful lives are applied:

- Acquired software 3-5 years
- Acquired direct costs 3-5 years

Amortisation has been included within depreciation and amortisation expenses.

Subsequent expenditures on the maintenance of computer software and brand names are expensed as incurred.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2022

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognised in profit or loss within other income or other expenses.

## **De-recognition of intangible assets**

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

## **(p) Right-of-use assets**

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are amortised on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any re-measurement of lease liabilities.

The company derecognised an existing right-of-use asset on expiry of an occupancy lease in April 2021. New premises have been occupied on peppercorn lease terms, allowing adoption of an operating lease-style treatment for “low-value” leases.

## **(q) Lease liabilities**

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down. The weighted average incremental borrowing rate for the leased liabilities recognised as of 1 July 2020 was 4.5% p.a.

The company carries no current leases of a value requiring recognition in this manner (see (q) *Right-of-use assets* above).

### **i) Short-term leases and leases of low-value assets**

The company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2022

leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

## *ii) Peppercorn leases*

The company holds a peppercorn lease contract for a premises provided for nil or below market consideration. The company adopted the option not to apply the fair value initial measurement requirement to Right-of-use asset as permitted by AASB 2018-8 until further guidance is developed.

## **(r)**      *Foreign Currency*

The financial report is presented in Australian dollars, which is the Primary Ethics Limited's functional and presentation currency.

# NOTES TO THE FINANCIAL STATEMENTS

## for the year ended 30 June 2022

### 3. Notes to the Statement of Cash Flows

#### a. Reconciliation of the operating surplus/(deficit) after tax to the net cash flows from operations

	2022 (\$)	2021 (\$)
Operating Surplus/(deficit)	203,718	3,123,567
Unrealised (gains)/ losses on investments	849,751	(1,363,528)
Realised (gains)/losses	1,331,770	(1,636)
Dividend distribution and Investment rebates	(496,137)	(721,923)
Depreciation and amortisation	12,361	45,079
Other non-cash items	51,426	20,616
<i>Changes in assets and liabilities</i>		
Change in Debtors	(47,585)	(11,016)
Change in tax credits receivable	30,002	88,257
Change in Creditors	(113,512)	31,788
<b>Net cash flows from operating activities</b>	<b>1,821,794</b>	<b>1,211,204</b>

#### b. Reconciliation of Cash

	2022 (\$)	2021 (\$)
Cash at Bank	5,897,129	3,055,995
<b>Total</b>	<b>5,897,129</b>	<b>3,055,995</b>
Cash Balance Dedicated to Investment Portfolio (Refer to Note 9 Investments)	<b>2,335,726</b>	<b>625,447</b>

### 4. Key Management Personnel

#### (i) Directors

There are no directors receiving income from being members of the Board of Primary Ethics Limited.

#### (ii) Other personnel

Compensation received or receivable by key personnel of Primary Ethics Limited in connection with management of the affairs of Primary Ethics Limited, whether as an executive officer or otherwise.

	2022 (\$)	2021 (\$)
Short-term benefits	124,418	120,981
Post-employment benefits (super)	12,406	11,459
	<b>136,824</b>	<b>132,440</b>

### 5. Auditor' Remuneration

Amounts received or due and receivable by the auditor for audit services in 2022 were nil (2021: nil).

2022 (\$)	2021 (\$)
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## NOTES TO THE FINANCIAL STATEMENTS

### for the year ended 30 June 2022

Pro bono services provided by KPMG (2021)	30,000	22,500
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#### 6. Related party disclosure

During the year and up to the date of this report the following people were members of the Board of Primary Ethics Limited:

Mr Bruce Hogan	Ms Robin Low
Dr Simon Longstaff	Mr Nigel Stokes
Ms Justine Felton	Ms Chris Erskine
Mr Roger Reidy	Mr Stephen Knight

Donations were received from the members of the Primary Ethics Limited Board of \$100,000 (2021:\$90,000). This is comprised of \$100,000 donation from the Hogan Family Foundation (2021:\$80,000), an entity related to Bruce Hogan, \$Nil donated by Robin Low (2021:\$5,000) and \$Nil donated by Nigel Stokes (2021:\$5,000).

#### 7. Subsequent Events

Since 30 June 2022 there have been no matters or circumstances which have arisen that have significantly affected or may significantly affect the financial position or operating results of the Company.

#### 8. Limitation of members' liability

Primary Ethics Limited is a company Limited by Guarantee and in accordance with its Constitution, in the event of Primary Ethics Limited being wound up, the liability of members will not exceed \$5.00 per member as per Clause 21.9 of the Constitution. Primary Ethics Limited has one institutional member, The Ethics Centre Ltd.

# NOTES TO THE FINANCIAL STATEMENTS

## for the year ended 30 June 2022

### 9. Investments

Investments held by Primary Ethics Limited as at 30 June 2022 are as follows:

	2022 (\$)	2021 (\$)
Magellan Global Fund	-	1,541,021
Paradise Global Small Mid Cap	-	793,272
Magellan Infrastructure Fund	-	688,688
Perpetual Private Investment Wrap	-	6,232,061
Pendal Focus Australian Share Fund	2,250,730	2,440,054
T Rowe Price Australian Equity Fund	1,148,309	1,260,331
Vanguard Australian Shares Index ETF	1,786,388	206,888
Vanguard Msci International Shares ETF	2,926,788	-
Vanguard Global Infrastructure Fund EF - VBLD	755,400	-
Vanguard Aust Property Securities Index ETF VAP	402,800	-
Vanguard Msci Index International Share VGAD	1,341,000	-
<b>Total Investments</b>	<b>10,611,415</b>	<b>13,162,315</b>

In the second half of the financial year, following a performance review of the Investment Strategy, Directors formed the view that a new strategy was required. This revised strategy meant divesting most directly-held funds and capital managed by a fund manager, moving instead to a new portfolio of directly-held index funds. As at the end of the financial year this transition was largely complete, with the remainder of the transition occurring in the first quarter of the F23 financial year.

The disposal of these investments netted \$8.58m, which resulted in a realised loss of \$1.35m on their disposal. Of the sale proceeds, \$7.3m was then reinvested into the index funds. Funds not reinvested were notionally set aside to give the organisation flexibility to take advantage of market conditions in the future. Combined with funds that had previously been held for investment purposes, at year end the balance held in the cash account was \$2.34m (30 June 2021: \$0.63m). These funds appear in the Cash item in the accounts, but are solely for investment purposes.

Investment Movement	2022 (\$)	2021 (\$)
Opening Balance	13,162,315	7,458,122
Additions	7,852,879	3,652,730
Disposals	(9,931,578)	(30,055)
Dividends, distributions, and rebates reinvested	377,550	717,990
Unrealised gains/ {losses}	(849,751)	1,363,528
<b>Closing Balance</b>	<b>10,611,415</b>	<b>13,162,315</b>

### 10. Goods-in Kind

During the financial year, services were donated to the Company. The services rendered by volunteers and provided by third parties during the year was in the value of \$13,182,915 (2021: \$12,651,476).

# NOTES TO THE FINANCIAL STATEMENTS

## for the year ended 30 June 2022

### 11. Information furnished under the Charitable Fundraising Act 1991

Details of aggregate gross income and total expenditure of fundraising appeals

	2022 (\$)	2021 (\$)
<u>Proceeds from Fundraising appeals</u>		
Donations	3,380,754	2,513,032
<b>Gross proceeds from fundraising appeals</b>	<b>3,380,754</b>	<b>2,513,032</b>
<u>Direct costs of fundraising appeals</u>		
Donations	1,200	1,100
<b>Total direct costs of fundraising appeals</b>	<b>1,200</b>	<b>1,100</b>
<b>Net surplus from fundraising appeals</b>	<b>3,379,554</b>	<b>2,511,932</b>

Statement showing how funds received are applied for charitable purposes

	2022 (\$)	2021 (\$)
Office administration	214,658	197,766
Delivery of services	1,695,824	1,353,409
Community education	-	-
<b>Subtotal</b>	<b>1,910,482</b>	<b>1,551,175</b>
<b>Total expenditure</b>	<b>1,911,682</b>	<b>1,552,275</b>
<b>Surplus/(shortfall)</b>	<b>1,469,072</b>	<b>960,757</b>
Other funding was provided by the following sources:		
Other Income	37,990	-
Interest earned	5,123	57,899
Income/(loss) from trading activities	(1,308,467)	2,104,911
<b>Surplus transferred to Accumulated Funds for future use</b>	<b>203,718</b>	<b>3,123,567</b>

	2022 (\$)	2021 (\$)
<b>Comparison by monetary figures and percentages</b>		
Gross income from fundraising appeals	3,380,754	2,513,032
Total direct cost of fundraising appeals	1,200	1,100
<b>Total direct cost of fundraising as a percentage gross of income from Fundraising appeals</b>	<b>0.03%</b>	<b>0.04%</b>
Net surplus from fundraising appeals	3,379,554	2,511,932
<b>Net surplus from fundraising as a percentage of gross income from fundraising appeals</b>	<b>99.97%</b>	<b>99.96%</b>
Total cost of direct services	1,695,824	1,353,409
Total expenditure (excluding direct cost of fundraising appeals)	1,910,482	1,551,175
<b>Total cost of direct services as a percentage of total expenditure</b>	<b>88.76%</b>	<b>87.25%</b>
Total income received (including net profit from fundraising appeals)	2,114,201	4,674,742



**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2022

<b>Total cost of direct services as a percentage of total income received</b>	<b>80.21%</b>	<b>27.76%</b>
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## DIRECTORS' DECLARATION

In the opinion of the directors of Primary Ethics Limited:

- (a) the Company is not publicly accountable;
- (b) the financial statements and notes that are set out on pages 08 to 26 are in accordance with the Australian Charities and Not-for-profits Commission Act 2012, including:
  - (i) giving a true and fair view of the Company's financial position as at 30 June 2022 and of its performance for the financial year ended on that date;
  - (ii) complying with Australian Accounting Standards – Simplified Disclosures and the Australian Charities and Not-for-profits Commission Regulation 2013; and
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.

Dated at 15<sup>th</sup> day of December 2022, Sydney, NSW.

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*Signature*

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*Signature*

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*Bruce Hogan*

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*Stephen Knight*

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Director

*Title*

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Director

*Title*

## TREASURER'S DECLARATION

In my opinion, I state that the:

- (i) Income Statement gives a true and fair view of all income and expenditure of the Company with respect to fundraising appeals;
- (ii) Balance Sheet gives a true and fair view of the state of affairs of the Company with respect to fundraising appeals conducted;
- (iii) Provisions and regulations of the NSW Charitable Fundraising Act 1991 and the NSW Charitable Fundraising Regulations 2015 and the conditions attached to the authority to fundraise have been complied with; and
- (iv) Internal controls exercised by the Company are appropriate and effective in accounting for all income received and applied by the Company from any of its fundraising appeals.

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*Signature*

15<sup>th</sup> / December / 2022  
*Date*

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*Dale Fisher*

Treasurer  
*Title*

## INDEPENDENT AUDITOR'S REPORT