



# PRIMARY ETHICS LIMITED

ACN 147 194 349

## Financial Report for the year ended 30 June 2023

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## DIRECTORS REPORT

The directors have pleasure in submitting the financial statements of the Company for the year ended 30 June 2023 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<br>(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.<br><i>Appointed 7 December 2010.</i>   |
| Dr Simon Longstaff AO        | Simon 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.<br><i>Appointed 4 November 2010.</i> |
| Mr Nigel Stokes              | Nigel 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.<br><i>Appointed 4 April 2012.</i>  |
| Ms Justine Felton            | Justine is 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.<br><i>Justine was appointed on 11 December 2018 and resigned from the board on 26 April 2023.</i>   |
| Mr Roger Reidy               | Roger 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.<br><i>Appointed 11 December 2018.</i>   |

|                   |   |
|-------------------|---|
| Mr Stephen Knight | <p>Steve 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 &amp; Settlement Boards, the Australian Office of Financial Management (AOFM) Audit and Risk Committee and the Bond Issuance and Due Diligence Committee for the National Housing Finance &amp; Investment Corporation (NHFIC). He is a member of the AOFM Advisory Board and is a non-executive director with Hall &amp; Wilcox and Sydney Financial Forum. Steve also coaches a number of senior executives across a range of industries.</p> <p><i>Appointed 20 April 2021.</i></p> |
| Ms Nicola Kaldor  | <p>Nicola is an experienced director of both NGO and private companies, including as a current National Justice Project Advisory Board Director, Talent Beyond Boundaries Advisory Board director, and The Australian Ballet Foundation Board Director. She works as an advocate for refugees across the private school sector. Nicola works with private schools to develop policies, procedures and programs that are embedded into their curriculum to develop deeper understanding and connection with refugee communities.</p> <p><i>Appointed 13 June 2023.</i></p>   |
| Ms Matina Moffitt | <p>For the last 35 years, Matina has specialised in audit and accounting for wealth asset managers, wealth management, funds management, superannuation, retail and investment banking and not-for-profits. She has also been the auditor for Primary Ethics. Matina is a Fellow of Chartered Accountants Australia and New Zealand and joined the board on 8 August 2023.</p>  |

## 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. Provide, or support the provision of, philosophical ethics education to children in any school where such provision is approved by the appropriate governing authority.
3. Develop an engaging ethics curriculum and learning/teaching materials that are age appropriate and deliverable to urban, regional and rural schools.
4. Manage quality control over the ethics curriculum content and its delivery.
5. Attract, select, recruit and train suitable volunteer ethics teachers and, where determined appropriate, paid ethics teachers.
6. Coordinate the curriculum delivery via volunteer ethics teachers and, where determined appropriate, paid ethics teachers.
7. Provide a mechanism for receiving and reacting to complaints relating to the provision of ethics education.
8. 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 2023 was a surplus of \$425,708 (2022: surplus of \$203,718).

## 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 2023. 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 | 3        | 6                  |
| Mr Nigel Stokes    | 6        | 6                  |
| Ms Justine Felton  | 4        | 5                  |
| Mr Roger Reidy     | 6        | 6                  |
| Mr Stephen Knight  | 5        | 6                  |
| Ms Nicola Kaldor   | 1        | 1                  |

## SIGNIFICANT EVENTS AFTER THE BALANCE DATE

There have been no significant events after the balance sheet date.

## 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.

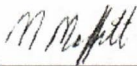
## MEMBERS' GUARANTEE

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

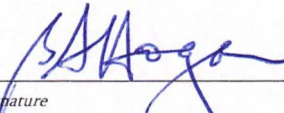
The directors have received an independence declaration from the auditor of Primary Ethics Limited, KPMG and a copy is attached to this report.

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

  
\_\_\_\_\_  
*Signature*

**Matina Moffitt**  
\_\_\_\_\_  
*Name*

Director  
\_\_\_\_\_  
*Title*

  
\_\_\_\_\_  
*Signature*

**Bruce Hogan**  
\_\_\_\_\_  
*Name*

Chair  
\_\_\_\_\_  
*Title*

Dated this 17th day of October 2023, Sydney, NSW.



# Auditor's Independence Declaration under subdivision 60-C section 60-40 of Australian Charities and Not-for-profits Commission Act 2012

To the directors of Primary Ethics Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Primary Ethics Limited for the financial year ended 30 June 2023 there have been:

- i. no contraventions of the auditor independence requirements as set out in the Australian Charities and Not-for-profits Commission Act 2012 in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

A handwritten signature in black ink, appearing to read 'Samuel Grose'.

Samuel Grose

Partner

Sydney

17 October 2023

# INCOME STATEMENT

for the financial year ended 30 June 2023

| Revenue   | Note | 2023 (\$)              | 2022 (\$)              |
|---|------|------------------------|------------------------|
| <b>Fundraising Activities</b>                               |      |                        |                        |
| Donations   |      | 638,787                | 3,380,754              |
| Non - Government Grants                                     |      | 60,000                 | -                      |
|   |      | <hr/> 698,787          | <hr/> 3,380,754        |
| <b>Trading Activities</b>                                   |      |                        |                        |
| Interest  |      | 146,747                | 5,123                  |
| Dividends and distributions                                 |      | 327,031                | 839,878                |
| Realised gains/(losses)                                     |      | 176,422                | (1,331,770)            |
| Unrealised gains/(losses)                                   | 9    | 1,056,258              | (849,751)              |
| Investment rebates  |      | 83,693                 | 33,177                 |
| Curriculum license fees                                     |      | 3,650                  | 37,990                 |
|   |      | <hr/> 1,793,801        | <hr/> (1,265,353)      |
| <b>Total revenue</b>  |      | <hr/> <b>2,492,588</b> | <hr/> <b>2,115,401</b> |
| <b>Operating Expenditure</b>                                |      |                        |                        |
| Employee & sub-contractor benefits expense                  |      | 1,631,758              | 1,410,577              |
| Administration expenses                                     |      | 41,043                 | 27,418                 |
| Bank & merchant fees  |      | 48                     | 21,439                 |
| Contractors & professional services expenses                |      | 195,963                | 274,776                |
| Depreciation  |      | 18,869                 | -                      |
| General operating expenses                                  |      | 26,542                 | -                      |
| Insurance   |      | 22,229                 | 20,002                 |
| Marketing & communication expenses                          |      | 7,624                  | 3,239                  |
| Occupancy expenses  |      | -                      | -                      |
| Information technology expenses                             |      | 120,038                | 123,003                |
| Travel, accommodation and other expenses                    |      | 2,766                  | 31,229                 |
| <b>Total expenditure</b>                                    |      | <hr/> <b>2,066,880</b> | <hr/> <b>1,911,683</b> |
| <b>Surplus from continuing operations before income tax</b> |      | <hr/> <b>425,708</b>   | <hr/> <b>203,718</b>   |

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



# BALANCE SHEET

as at 30 June 2023

|  | Note | 2023(\$)          | 2022(\$)          |
|--|------|-------------------|-------------------|
| <b>CURRENT ASSETS</b>                      |      |                   |                   |
| Cash and cash equivalents                  | 3(b) | 4,934,957         | 5,897,129         |
| Trade and other receivables                |      | 127,417           | 74,525            |
| Tax credits                                |      | 133,905           | 45,007            |
| <b>TOTAL CURRENT ASSETS</b>                |      | <b>5,196,279</b>  | <b>6,016,661</b>  |
| <b>NON-CURRENT ASSETS</b>                  |      |                   |                   |
| Investments                                | 9    | 11,792,162        | 10,611,415        |
| Property, plant and equipment              |      | -                 | 18,869            |
| <b>TOTAL NON-CURRENT ASSETS</b>            |      | <b>11,792,162</b> | <b>10,630,284</b> |
| <b>TOTAL ASSETS</b>                        |      | <b>16,988,441</b> | <b>16,646,945</b> |
| <b>CURRENT LIABILITIES</b>                 |      |                   |                   |
| Trade and other payables                   |      | 23,195            | 63,685            |
| Superannuation payable                     |      | 14,921            | 43,026            |
| Provision for employee entitlements        |      | 141,987           | 111,175           |
| Tax liabilities                            |      | -                 | 46,429            |
| <b>TOTAL CURRENT LIABILITIES</b>           |      | <b>180,103</b>    | <b>264,315</b>    |
| <b>TOTAL LIABILITIES</b>                   |      | <b>180,103</b>    | <b>264,315</b>    |
| <b>NET ASSETS</b>                          |      | <b>16,808,338</b> | <b>16,382,630</b> |
| <b>FUNDS</b>                               |      |                   |                   |
| Retained earnings at the start of the year |      | 16,382,630        | 16,178,912        |
| Current year surplus/(deficit)             |      | 425,708           | 203,718           |
| <b>TOTAL FUNDS</b>                         |      | <b>16,808,338</b> | <b>16,382,630</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 2023

|                           | <b>Retained<br/>Earnings (\$)</b> | <b>Total (\$)</b> |
|---------------------------|-----------------------------------|-------------------|
| As at 1 July 2022         | 16,382,630                        | 16,382,630        |
| Net surplus for the year  | 425,708                           | 425,708           |
| <b>As at 30 June 2023</b> | <b>16,808,338</b>                 | <b>16,808,338</b> |

|                           | <b>Retained<br/>Earnings (\$)</b> | <b>Total (\$)</b> |
|---------------------------|-----------------------------------|-------------------|
| As at 1 July 2021         | 16,178,912                        | 16,178,912        |
| Net surplus for the year  | 203,718                           | 203,718           |
| <b>As at 30 June 2022</b> | <b>16,382,630</b>                 | <b>16,382,630</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 2023

|   | Note        | 2023 (\$)          | 2022 (\$)        |
|---|-------------|--------------------|------------------|
| <b>Cash Flows from Operating Activities</b>     |             |                    |                  |
| Cash receipts from donors                       |             | 653,570            | 3,418,744        |
| Payments to suppliers and employees             |             | (2,039,954)        | (1,632,075)      |
| Franking credits received                       |             | -                  | 30,002           |
| Interest received                               |             | 146,747            | 5,123            |
| <b>Net cash flows from operating activities</b> | <b>3(a)</b> | <b>(1,239,637)</b> | <b>1,821,794</b> |
| <b>Cash Flows from Investing Activities</b>     |             |                    |                  |
| Purchase of investments                         |             | (3,523,881)        | (7,552,879)      |
| Sale of investments                             |             | 3,576,074          | 8,581,670        |
| Dividends received                              |             | 225,272            | -                |
| Purchase of fixed assets                        |             | -                  | (9,451)          |
| <b>Net cash flows from investing activities</b> |             | <b>277,465</b>     | <b>1,019,340</b> |
| Net (decrease)/increase in cash held            |             | (962,172)          | 2,841,134        |
| Cash at the beginning of the financial year     |             | 5,897,129          | 3,055,995        |
| <b>Cash at the end of the financial year</b>    | <b>3(b)</b> | <b>4,934,957</b>   | <b>5,897,129</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 2023

## 1. Corporate information

The financial report of Primary Ethics Limited for the year ended 30 June 2023 was authorised in accordance with a resolution of the directors on 16 October 2023. 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*

The financial statements are General Purpose Financial Statements for the purpose of fulfilling the requirements of the Australian Charities and Not-for profits Commission Act 2012. They have been prepared in accordance with Australian Accounting Standards – Simplified Disclosures made by the Australian Accounting Standards Board and the Australian Charities and Not-for-Profits 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 report is presented in Australian dollars.

A number of new standards were effective from 1 July 2022 but do not have a material effect on Primary Ethics Limited.

### (b) *Statement of Compliance*

The Company has adopted AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements*.

The adopting of these standards has allowed Primary Ethics Limited to remove a number of disclosures, in particular the disclosures around financial risk management objectives and policies.

The financial report complies with Australian accounting standards issued by the Australian Accounting Standards Board (“AASB”).

### (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.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2023

## **(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 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 marketplace 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 significant 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 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**

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2023

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**

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 2023 and 30 June 2022, 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

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2023

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 10.5% (2022: 10%) 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 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.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2023

## **(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) 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 remeasurement 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.

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



# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2023

## *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 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.

## **(q) Software-as-a-Service**

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(b) for an outline of accounting for intangible assets.

## **(r) Financial instruments**

### *(i) Recognition and initial measurement*

Receivables are initially recognised when they originate. All other financial assets and financial liabilities are initially recognised when Primary Ethics Limited becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2023

## *(ii) Classification and subsequent measurement*

### Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition, except if in the period Primary Ethics Limited changes its business model for managing financial assets.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated at FVTPL:

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

On initial recognition of an equity investment that is not held for trading, Primary Ethics Limited may irrevocably elect to present subsequent changes in the investment's FVOCI. This election is made on an investment- by-investment basis.

### Financial assets: Business model assessment

Primary Ethics Limited makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes the stated policies and objectives for the portfolio and the operation of those policies in practice. This includes whether management's strategy focuses on earning contractual interest income, frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL. Financial assets that are held for strategic purposes are measured at FVOCI.

### Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purpose of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, Primary Ethics Limited considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

### Subsequent measurement and gains and losses

|   |  |
|---|--|
| <b>Financial assets at amortised cost</b> | These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment are |
|---|--|

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2023

|                                    |   |
|------------------------------------|---|
|                                    | recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.  |
| <b>Equity investments at FVOCI</b> | These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to profit or loss. |

## *(i) Non-derivative financial liabilities - measurement*

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

## *(s) 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 2023

## 3. Notes to the Statement of Cash Flows

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

|   | 2023 (\$)          | 2022 (\$)        |
|---|--------------------|------------------|
| Operating surplus/(deficit)                     | 425,708            | 203,718          |
| Unrealised (gains)/ losses on investments       | (1,056,258)        | 849,751          |
| Realised (gains)/ losses                        | (176,422)          | 1,331,770        |
| Dividend distribution and Investment rebates    | (327,031)          | (496,137)        |
| Depreciation and amortisation                   | 18,869             | 12,361           |
| Other non-cash items                            | 2,447              | 51,426           |
| <i>Changes in assets and liabilities</i>        |                    |                  |
| Change in debtors                               | 48,867             | (47,585)         |
| Change in tax credits receivable                | (135,327)          | 30,002           |
| Change in creditors                             | (40,490)           | (113,512)        |
| <b>Net cash flows from operating activities</b> | <b>(1,239,637)</b> | <b>1,821,794</b> |

### b. Reconciliation of Cash

|              | 2023 (\$)        | 2022 (\$)        |
|--------------|------------------|------------------|
| Cash at Bank | 4,934,957        | 5,897,129        |
| <b>Total</b> | <b>4,934,957</b> | <b>5,897,129</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.

|                                  | 2023 (\$)      | 2022 (\$)      |
|----------------------------------|----------------|----------------|
| Short-term benefits              | 129,860        | 124,418        |
| Post-employment benefits (super) | 13,598         | 12,406         |
|                                  | <b>143,458</b> | <b>136,824</b> |

## 5. Auditor's Remuneration

Amounts received or due and receivable by the auditor for audit services in 2023 were \$Nil (2022: \$Nil).

|                                    | 2023 (\$) | 2022 (\$) |
|------------------------------------|-----------|-----------|
| Pro bono services provided by KPMG | 50,000    | 45,000    |

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2023

## 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     | Mr Stephen Knight |
| Dr Simon Longstaff | Mr Nigel Stokes   |
| Ms Justine Felton  | Ms Nicola Kaldor  |
| Mr Roger Reidy     |                   |
|                    |                   |

Donations were received from the members of the Primary Ethics Limited Board of \$109,000 (2022: \$ 100,000). This is comprised of \$104,000 donation from the Hogan Family Foundation (2022: \$100,000), an entity related to Bruce Hogan and a \$5,000 donation from Nigel Stokes (2022: \$nil).

## 7. Subsequent Events

There were no events subsequent to balance sheet date that would materially impact the financial results as reported.

## 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 2023

### 9. Investments

Investments held by Primary Ethics Limited as at 30 June 2023 are as follows:

|   | 2023 (\$)         | 2022 (\$)         |
|---|-------------------|-------------------|
| Pendal Focus Australian Share Fund              | -                 | 2,250,730         |
| T Rowe Price Australian Equity Fund             | -                 | 1,148,309         |
| Vanguard Australian Shares Index ETF            | 5,566,236         | 1,786,388         |
| Vanguard Msci International Shares ETF          | 3,519,016         | 2,926,788         |
| Vanguard Global Infrastructure Fund EF - VBLD   | 747,240           | 755,400           |
| Vanguard Aust Property Securities Index ETF VAP | 409,690           | 402,800           |
| Vanguard Msci Index International Share VGAD    | 1,549,980         | 1,341,000         |
| <b>Total Investments</b>                        | <b>11,792,162</b> | <b>10,611,415</b> |

| Investment Movement                              | 2023 (\$)         | 2022 (\$)         |
|--|-------------------|-------------------|
| Opening Balance                                  | 10,611,415        | 13,162,315        |
| Additions  | 3,523,528         | 7,852,879         |
| Disposals  | (3,399,039)       | (9,931,578)       |
| Dividends, distributions, and rebates reinvested | -                 | 377,550           |
| Unrealised gains/(losses)                        | 1,056,258         | (849,751)         |
| <b>Closing Balance</b>                           | <b>11,792,162</b> | <b>10,611,415</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 \$13,154,945 (2022: \$13,182,915).

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2023

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

Details of aggregate gross income and total expenditure of fundraising appeals

|  | 2023 (\$)      | 2022 (\$)        |
|--|----------------|------------------|
| <u>Proceeds from Fundraising appeals</u>         |                |                  |
| Donations  | 638,787        | 3,380,754        |
| <b>Gross proceeds from fundraising appeals</b>   | <b>638,787</b> | <b>3,380,754</b> |
| <u>Direct costs of fundraising appeals</u>       |                |                  |
| Donations  | 30,115         | 1,200            |
| <b>Total direct costs of fundraising appeals</b> | <b>30,115</b>  | <b>1,200</b>     |
| <b>Net surplus from fundraising appeals</b>      | <b>608,672</b> | <b>3,379,554</b> |

The FY2023 increase in Direct costs was incurred through the employment of a part-time fundraising officer to support community fundraising programs.

Statement showing how funds received are applied for charitable purposes

|  | 2023 (\$)          | 2022 (\$)        |
|--|--------------------|------------------|
| Office administration  | 108,731            | 214,658          |
| Delivery of services   | 1,928,034          | 1,695,824        |
| Community education  | -                  | -                |
| <b>Subtotal</b>  | <b>2,036,765</b>   | <b>1,910,482</b> |
| <b>Total expenditure</b>                                       | <b>2,066,880</b>   | <b>1,911,682</b> |
| <b>(Shortfall)/surplus</b>                                     | <b>(1,959,373)</b> | <b>1,469,072</b> |
| Other funding was provided by the following sources:           |                    |                  |
| Other Income   | 63,650             | 37,990           |
| Interest earned  | 146,747            | 5,123            |
| Income/(loss) from trading activities                          | 1,643,404          | (1,308,467)      |
| <b>Surplus transferred to Accumulated Funds for future use</b> | <b>425,708</b>     | <b>203,718</b>   |

### Comparison by monetary figures and percentages

|  |               |               |
|--|---------------|---------------|
| Gross income from fundraising appeals  | 638,787       | 3,380,754     |
| Total direct cost of fundraising appeals   | 30,115        | 1,200         |
| <b>Total direct cost of fundraising as a percentage gross of income from Fundraising appeals</b> | <b>4.71%</b>  | <b>0.03%</b>  |
| Net surplus from fundraising appeals   | 608,672       | 3,379,554     |
| <b>Net surplus from fundraising as a percentage of gross income from fundraising appeals</b>     | <b>95.29%</b> | <b>99.97%</b> |
| Total cost of direct services  | 1,928,034     | 1,695,824     |
| Total expenditure (excluding direct cost of fundraising appeals)                                 | 2,036,765     | 1,910,482     |
| <b>Total cost of direct services as a percentage of total expenditure</b>                        | <b>94.66%</b> | <b>88.76%</b> |

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 30 June 2023

|   |               |               |
|---|---------------|---------------|
| Total income received (including net profit from fundraising appeals)         | 2,462,473     | 2,114,201     |
| <b>Total cost of direct services as a percentage of total income received</b> | <b>78.30%</b> | <b>80.21%</b> |



## 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 24 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 2023 and of its performance for the financial year ended on that date;
  - (ii) complying with Australian Accounting Standards – Reduced Disclosure Requirement 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 17th day of October

2023, Sydney, NSW.



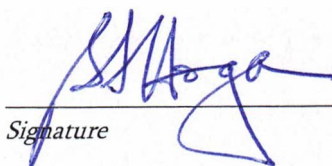
Signature

Matina Moffitt

Name

Director

Title



Signature

Bruce Hogan

Name

Chair

Title



# Independent Auditor's Report

To the members of Primary Ethics Limited

## Report on the audit of the Financial Report

### Opinion

We have audited the **Financial Report**, of Primary Ethics Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission (ACNC) Act 2012*, and sections 23(1)(d) and 24B of the *Charitable Fundraising Act (NSW) 1991*, including:

- i. giving a true and fair view of the Company's financial position as at 30 June 2023, and of its financial performance and its cash flows for the year ended on that date; and
- ii. complying with *Australian Accounting Standards – Simplified Disclosure Framework* and Division 60 of the *Australian Charities and Not-for-profits Commission Regulations 2022 (ACNCR)* and section 21 of the *Charitable Fundraising Regulation (NSW) 2021*.

The **Financial Report** comprises:

- i. Balance sheet as at 30 June 2023;
- ii. Income statement, Statement of changes in equity and Statement of cash flows for the year then ended;
- iii. Notes including a summary of significant accounting policies;
- iv. Directors' Declaration; and
- v. Declaration by the Treasurer in respect of fundraising appeals of the Company.

### Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Company in accordance with the auditor independence requirements of the *ACNC Act 2012* and the ethical requirements of the Accounting Professional and Ethical Standards



Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

## Other information

Other Information is financial and non-financial information in Primary Ethics Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report, we have nothing to report.

## Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- i. Preparing the Financial Report that gives a true and fair view in accordance with Australian Accounting Standards - Simplified Disclosures Framework and the ACNC and ACNCR and sections 23(1)(d) and 24B of the *Charitable Fundraising Act (NSW) 1991* and section 21 of the *Charitable Fundraising Regulation (NSW) 2021*.
- ii. Implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.
- iii. Assessing the Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- i. to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- ii. to issue an Auditor's Report that includes our 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. They 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*, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

- i. 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 our 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.
- ii. 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 registered Company's internal control.
- iii. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- iv. Conclude on the appropriateness of the Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the registered Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the Financial Report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the registered Company to cease to continue as a going concern.
- v. 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.

We communicate with the Directors of the registered Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG

Samuel Grose

Partner

Sydney

17 October 2023