



Instrument
Fund



2020/21
ANNUAL REPORT

ILYA ISAKOVICH (LEFT) MARK INGWERSEN (RIGHT)
1728/29 Stradivari violin played by Mark Ingwersen (right)

PHOTO: TYSON PERKINS



CONTENTS

Australian Chamber Orchestra Instrument Fund Chair's Report _____	<i>pg. 4</i>
Australian Chamber Orchestra Managing Director's Report _____	<i>pg. 5</i>
Instrument Fund Overview _____	<i>pg. 6</i>
Assets of the Fund _____	<i>pg. 8</i>
Financial Statements _____	<i>pg. 14</i>
Anti-Money Laundering / Counter-Terrorism Financing Report _____	<i>pg. 44</i>
Founding Patrons of the ACO Instrument Fund _____	<i>pg. 45</i>
Corporate Governance Statement _____	<i>pg. 48</i>
Corporate Directory _____	<i>pg. 49</i>

COVER PHOTO: MAJA SAVNIK
1714 Joseph Guarneri filius Andreæ

PHOTO. NIC WALKER

ACOIF CHAIR'S REPORT

Throughout my ten-year involvement with the ACO as Chairman of the ACO Instrument Fund, I have been consistently impressed with the company's agility, resilience and ambition. Under the ACO's dynamic leader Richard Tognetti, the Orchestra continues to inspire audiences with its ambitious programming and outstanding musicianship. The ACO Instrument Fund, a unique trust which I've had the honour of steering as Chairman for the last ten years, is just one of many examples of the company's ability to create a viable brand and proposition within a market-driven economy – in 2011 it was the first Australian orchestra to play a Stradivarius thanks to the Fund's initiative, and today the Fund boasts a collection of Golden Age instruments collectively worth almost \$9 million as at 30 June 2021.

Today, and ten years after the Fund was first launched, the ACO faces one of its biggest challenges: the COVID-19 pandemic. Whilst the first half of 2021 presented itself with a degree of optimism, by June the disruptive nature of the virus was once again revealed. I applaud the ACO for its forward planning particularly in launching its acclaimed film season, ACO StudioCasts, which allowed the Orchestra to continue performing for the public in spite of lockdown restrictions. From the Fund's perspective, this has fulfilled our social objective that these cultural and historical assets should remain heard and seen in the public sphere.

As stipulated in the Fund's Trust Deed and Information Memorandum, we held our first unitholders' meeting on 15 July 2021, which marked the tenth anniversary of the Fund. All eligible unitholders in attendance and by proxy unanimously voted for the Fund to roll over into its next term (five years). This wonderful result is a credit to each of the unitholders' commitment to the Fund's vision. On behalf of the Trustee of the Fund, I would like to thank all unitholders for their ongoing investment and commitment.

In the 2021 financial year, there were no new unitholders as we focused on our consolidation towards the unitholder meeting. ACO's buyback of the 263,094 investors' units resulting from the July 2020 limited withdrawal

window, as agreed under the Fund Administration Deed, was completed in September 2020. These units were purchased at the \$1.45 unit price that was agreed on by resolution of the Trustee on 27 May 2020.

I acknowledge our Australian Financial Services Licence holder, JBWere Ltd, and the ACO team: Managing Director Richard Evans, CFO (and AML/CTF Compliance Officer) Fiona McLeod and the Manager, ACO Instrument Fund Yeehwan Yeoh.

I thank my fellow directors on the Trustee Board: Jessica Block, Edward Gilmartin, John Leece, Julie Steiner and John Taberner, for their active participation in co-steering this unique cultural trust alongside myself.



Bill Best
Chair
ACO Instrument Fund

ACO MANAGING DIRECTOR'S REPORT

The 2020/21 year was another year characterised by constant recalibration and resilience. In September 2020, we were the first arts ensemble in NSW to return to live performances, presenting *ACO Transfigured* in collaboration with First Nations composer and performer William Barton. The voice of Barton's didgeridoo and Kalkadunga Language alongside our Orchestra's distinct sound was a welcome experience back within the City Recital Hall.

Due to the success of our inaugural digital season, ACO HomeCasts (launched in May 2020), we made the decision to craft our 2021 Season as a hybrid of live and digital performances with the launch of our cinematic film season, ACO StudioCasts. The year began promisingly and we were able to proceed with three of our national tours, venturing beyond the borders of New South Wales for *Schubert's Quintet* in May. The launch of our inaugural paid subscription digital season of seven concert films, ACO StudioCasts, allowed audiences access to the orchestra and its instruments even though live performances were once again curtailed due to COVID. This expansion of our screen-based work into a paid stream has further developed collaborations within the film industry, provided access to audiences who may not be able to come to the concert hall, and stimulated a future income and investment stream.

With the pandemic lockdown commencing in late June, we continued with the free ACO HomeCasts season, using our social media platforms to continue to interact with our audiences whilst widening our reach to new networks. Despite everything, the ACO has never stopped performing for its audiences.

The number of fine Golden Age instruments played by ACO musicians is undoubtedly a major contributor to the ACO's distinctive and internationally admired sound, with thanks to initiatives such as the ACO Instrument Fund as well as the generosity of our private instrument lenders. This vision was pioneered by the late Peter Weiss AO, whose legacy lives on in the ACO Instrument Fund, a unique trust which allows private investors to participate in the benefits of owning and sharing cultural assets with the wider public.

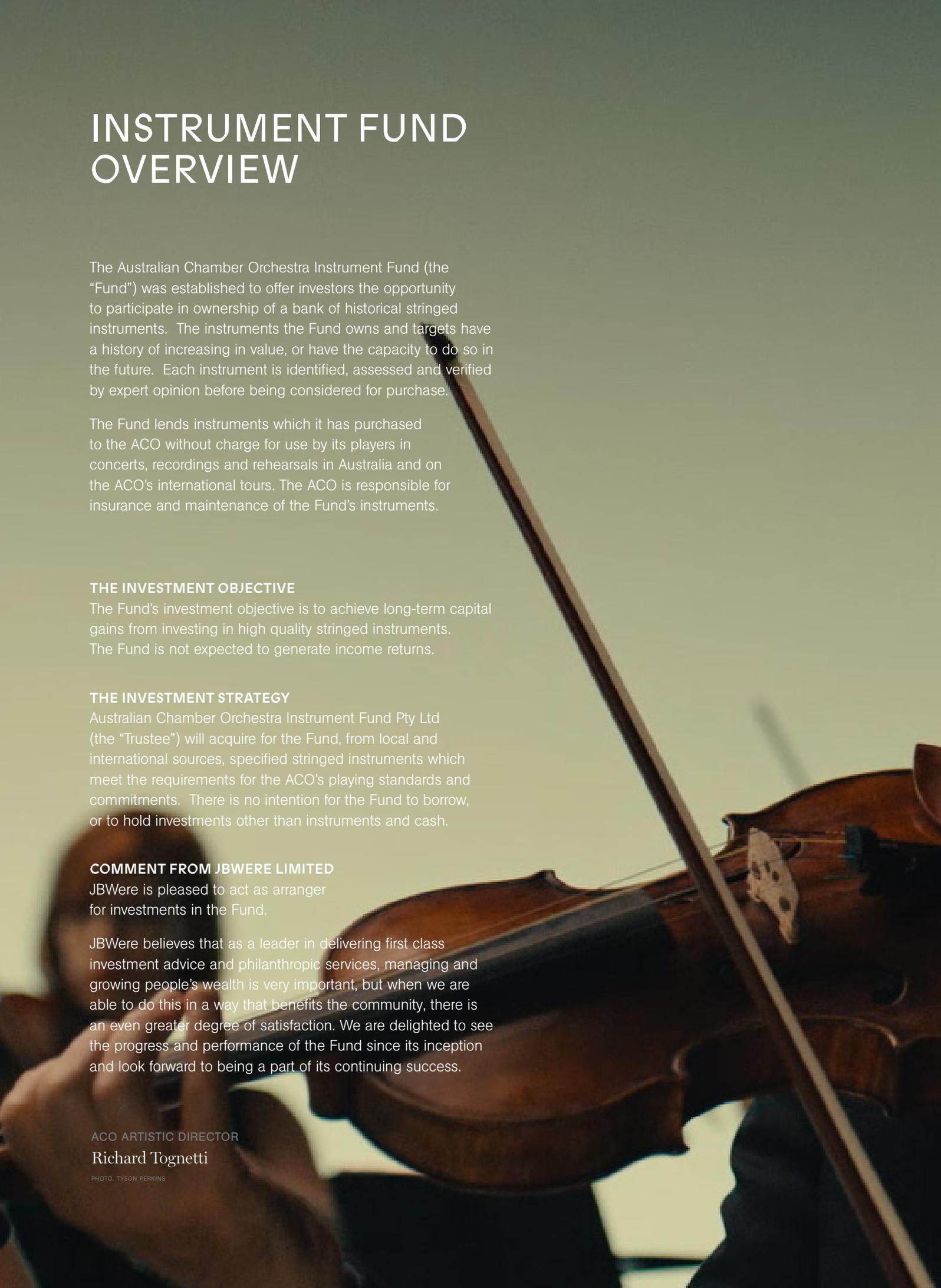
I thank the ACO Instrument Fund unitholders for their significant role in maintaining this unique cultural trust with its important place in the ongoing dissemination of fine music for all.

I also thank the Directors of the ACO Instrument Fund, who give their time so generously to ensure the prudent governance of the Fund and their ongoing support of the ACO, its musicians and audiences.



Richard Evans
Managing Director
Australian Chamber Orchestra

INSTRUMENT FUND OVERVIEW



The Australian Chamber Orchestra Instrument Fund (the “Fund”) was established to offer investors the opportunity to participate in ownership of a bank of historical stringed instruments. The instruments the Fund owns and targets have a history of increasing in value, or have the capacity to do so in the future. Each instrument is identified, assessed and verified by expert opinion before being considered for purchase.

The Fund lends instruments which it has purchased to the ACO without charge for use by its players in concerts, recordings and rehearsals in Australia and on the ACO’s international tours. The ACO is responsible for insurance and maintenance of the Fund’s instruments.

THE INVESTMENT OBJECTIVE

The Fund’s investment objective is to achieve long-term capital gains from investing in high quality stringed instruments. The Fund is not expected to generate income returns.

THE INVESTMENT STRATEGY

Australian Chamber Orchestra Instrument Fund Pty Ltd (the “Trustee”) will acquire for the Fund, from local and international sources, specified stringed instruments which meet the requirements for the ACO’s playing standards and commitments. There is no intention for the Fund to borrow, or to hold investments other than instruments and cash.

COMMENT FROM JBWERE LIMITED

JBWere is pleased to act as arranger for investments in the Fund.

JBWere believes that as a leader in delivering first class investment advice and philanthropic services, managing and growing people’s wealth is very important, but when we are able to do this in a way that benefits the community, there is an even greater degree of satisfaction. We are delighted to see the progress and performance of the Fund since its inception and look forward to being a part of its continuing success.

ACO ARTISTIC DIRECTOR

Richard Tognetti

PHOTO: TYSON PERKINS



ASSETS OF THE FUND

THE 1728/29 STRADIVARIUS VIOLIN



ABOUT THE VIOLIN

The Fund acquired its first instrument in 2011 – a 1728/29 Stradivarius violin. This instrument is a composite of two instruments made by Antonio Stradivari in 1728 and 1729. This is not unusual: in the 18th century it was common to repair instruments by replacing sections. In this case, two Stradivarius violins, one with an original front, the other with an original back and sides, have been united to form an all-Stradivarius instrument that displays all the hallmarks of great Stradivarius violins. It has powerful projection and evenness of tone throughout its full range, with equality across all four strings. It has a rich and well-projected lower register on the G-string and a finely balanced middle register that soars to a sweet-toned, singing quality in the upper register which, in the right hands, intensifies to brilliance. It is capable of great dynamic variety and can be heard distinctly in solo lines above an ensemble or orchestral accompaniment. It is also equally able to blend elegantly with an instrumental section. The Fund's 1728/29 Stradivarius violin is played by ACO Violinist Mark Ingwersen.

ABOUT ANTONIO STRADIVARI

Antonio Stradivari (1644–1737) is widely acknowledged as the greatest violin maker of all time. His instruments exhibit a unique blend of tonal excellence, design, beauty to the eye and accuracy of workmanship. Stradivari was born in Cremona, Italy, one of the recognised traditional centres of violin making. Even in that elite field, he was quickly recognised as a master. His instruments bear the hallmarks of his superiority: innovations such as wider and more intricate inlays, bolder sound-holes, stronger arching in the tables and a broader, squarer centre. Mystery still surrounds the recipe for his unique varnish.

ASSETS OF THE FUND

THE 1714 GIUSEPPE GUARNERIUS FILIUS ANDREÆ



ABOUT THE VIOLIN

The Fund acquired its second instrument in March 2014 – a beautiful violin made in 1714 by Giuseppe Guarneri filius Andreæ. The Fund's 1714 Guarnerius violin is played by ACO Violinist Maja Savnik.

A 1937 certificate of authentication from W.E. Hill & Sons describes the Guarnerius violin in detail: "The back, in one piece, is of wood cut on the slab and marked by a broad, irregular curl, that of the sides, cut on the quarter by a handsome, small curl, the head being plain: the table is of pine of fine grain at centre, opening slightly on the flanks and the varnish, of an orange-red colour. This violin, in a fine state of preservation, is a handsome example of the maker's work."

Not only is the Guarnerius a beautiful instrument, it comes with an impeccable provenance, having been previously owned by Isolde Menges (1893-1976), a renowned English violinist and pedagogue. A 1990 letter from Charles Beare, British violin expert, craftsman and dealer, describes her thus: "Isolde was a great character as well as a great musician. She loved her Guarneri and I always loved seeing it, especially the varnish on the back".

ABOUT GIUSEPPE GUARNERI FILIUS ANDREÆ

By 1698, Giuseppe Guarneri filius Andreæ (1666-1740) had inherited his father's shop, where he had worked as an assistant for most of his life. The Guarneri workshop was just down the road from Antonio Stradivari's shop and the two competed to produce high quality instruments. Guarneri showed great originality in his designs, and expert craftsmanship. His outline tended to be narrow-waisted, the f-holes low and elegant, and he used a rich varnish, often described as deep orange-red in colour.

Guarneri's sons Pietro and Giuseppe del Gesù followed their grandfather and father into the family business, creating one of the greatest dynasties of Italian luthiers ever known. Pietro moved to Venice in 1717 to continue making violins, while del Gesù remained in Cremona, helping his father produce characteristic violins, and eventually inherited the Guarneri family workshop.

ASSETS OF THE FUND

THE 1616 BROTHERS AMATI CELLO



ABOUT THE CELLO

The 1616 Brothers Amati 'ex-Fleming' cello is a rare and characteristic example of its makers and has a reputation for its magnificent tonal qualities amongst the historical stringed instrument dealing world. The Fund's 1616 Amati cello is played by ACO Principal Cello Timo-Veikko Valve.

The description on the J&A Beare certificate of authenticity reads: "The back in two pieces of maple with quite narrow flames ascending slightly from the centre joint; the sides of similar wood; the scroll of later date with flames of medium width; the table in two pieces of spruce of medium grain; the varnish of an orange-brown colour on a lighter ground."

The cello is named after the celebrated British cellist Amaryllis Fleming who owned the instrument in the late 20th century. Hers was "an extraordinary life lived amongst uncommon people" according to journalist June Ducas, for her private life as much as her musical career. Fleming was the first modern cellist to return to performing Baroque music in "historically-informed style".

ABOUT THE BROTHERS AMATI

'(Hieronymus) Amati created the warmest, most beautiful and sweet sound with an amazing clarity in its centre, a real core. The way Amati cellos are constructed means the sound can carry very well in large halls. They allow to radiate a long wave with a certain softness that reaches out into the auditorium.' Florian Leonhard, 2015

ASSETS OF THE FUND

THE 1590 BROTHERS AMATI VIOLIN



ABOUT THE VIOLIN

In December 2018, the Fund acquired a fourth instrument, a 1590 Brothers Amati violin – a sibling instrument to the Fund's third acquisition. Like the 1616 Brothers Amati cello, this violin has a stunning tone of incredible warmth and clarity, and an incredible capacity for amplitude.

The violin is in a remarkable state of preservation for its age, with all parts still original. Its back, scroll and ribs are made of maple, and the table from spruce. A significant trace of the light orange varnish originally laid by its makers can still be found on the instrument.

Known owners of the 1590 Brothers Amati violin include the English noblewoman and amateur violinist Lady Margaret Cecil and Hendrik Willem van Loon, the once celebrated author of 'The Story of Mankind'. The Fund's 1590 Amati violin is played by ACO Violinist Ike See.

ABOUT THE BROTHERS AMATI (CONTINUED FROM PREVIOUS PAGE)

The famous Amati legacy was established by Andrea Amati (c1511-1577), like both the Stradivari and Guarneri families, from Cremona, Italy. His two sons were Antonio (c1540-1607) and his half-brother Girolamo (Hieronymus) (c1561-1630), or the 'brothers Amati' as they are commonly known. Although it is noted that Hieronymus bought out Antonio around 1588, most productions until 1630 bore labels which indicated that the two continued to work together, improving the design of the instruments of the violin family in subtle ways, such as the form of the soundhole and the outlines of the instruments.

The influence of the work of the Brothers Amati spread far and wide, in Italy and abroad. The Amati legacy was sealed by Hieronymus' son, Nicolò, whom many believe have taught Stradivari and Andrea Guarneri the craft of instrument making.

TIMO-VEIKKO VALVE

1616 Brothers Amati cello

PHOTO. TYSON PERKINS



13

FINANCIAL STATEMENTS

**AUSTRALIAN CHAMBER ORCHESTRA
INSTRUMENT FUND**

ABN 17 968 443 499

FINANCIAL STATEMENTS

for the year ended

30 June 2021

CONTENTS

	Page
Directors' report	16
Auditor's independence declaration	21
Statement of profit or loss and other comprehensive income	22
Statement of financial position	23
Statement of changes in equity	24
Statement of cash flows	25
Notes to the financial statements	26
Directors' declaration	39
Independent audit report to the unitholders of Australian Chamber Orchestra Instrument Fund	40

These financial statements cover Australian Chamber Orchestra Instrument Fund as an individual entity.

The trustee of Australian Chamber Orchestra Instrument Fund is Australian Chamber Orchestra Instrument Fund Pty Limited (ABN 63 147 806 424).

The trustee's registered office is:
Opera Quays, 2 East Circular Quay
Sydney, NSW, 2000

AUSTRALIAN CHAMBER ORCHESTRA INSTRUMENT FUND

DIRECTORS' REPORT

The directors of Australian Chamber Orchestra Instrument Fund Pty Limited (a controlled entity of Australian Chamber Orchestra Pty Limited), the trustee of Australian Chamber Orchestra Instrument Fund, present their report together with the financial statements of Australian Chamber Orchestra Fund ("the Fund") for the year ended 30 June 2021.

The Australian Financial Services Licence Holder ("AFSL Holder") of Australian Chamber Orchestra Instrument Fund is JBWere Pty Limited (ABN 68 137 978 360, Level 18, 101 Collins Street, Melbourne VIC, 3000).

Directors

The following persons held office as directors of Australian Chamber Orchestra Instrument Fund Pty Limited ("the Trustee") during the year or since the end of the year and up to the date of this report.

- Mr W D Best
- Ms J Block
- Mr E N Gilmartin
- Mr J D Leece
- Ms J Steiner
- Mr J G Taberner

Information about the directors is set out below:

Mr W D Best

Chair

Non-Executive Director since 10 December 2010

Bill Best is currently Chairman of Ellerston Asia Investments Limited. He is also Chairman of Inala, a Rudolf Steiner organisation supporting individuals with disabilities. Bill is also a director of Filmpod Limited and Literacy Planet Holdings Limited. Previously Bill had 30 years of investment banking experience, and was for many years an Executive Director of Macquarie Bank. Bill has LLB, B.Comm and M.Comm degrees. Bill is also a Director of the Australian Chamber Orchestra Pty Limited.

Ms J Block

Non-Executive Director since 10 December 2010

Jessica Block is Head of Campaign at the Art Gallery of New South Wales, a development consultant and former Deputy Managing Director of the Australian Chamber Orchestra Pty Limited. She is now a Director of the Australian Chamber Orchestra Instrument Fund Pty Limited, ACO US Inc and the Australian Youth Orchestra. She practised as a solicitor with King & Wood Mallesons and the Nine Network and has held senior management positions with The Bell Shakespeare Company and Sydney Festival. Jessica has a degree in Arts/Law from the University of Sydney.

Mr E N Gilmartin

Non-Executive Director since 29 November 2017

Edward Gilmartin runs his family's private investment company. He worked as an investment banker in London until 1993 and with Macquarie Bank in Sydney and Melbourne until 1998. Edward has a degree in Engineering and a Masters' degree in Economics.

Mr J D Leece AM

Non-Executive Director since 20 May 2011

John Leece is a Chartered Accountant and was a partner of Boroughs for 40 years. He has served for many years on Committees and Boards of the Australian Accounting Profession and served as a Captain in the Australian Army Reserve. He is a Board member of the World Scout Foundation based in Geneva; a Life Member of the Scout Association of Australia; a Trustee of the Charlie Perkins Trust

AUSTRALIAN CHAMBER ORCHESTRA INSTRUMENT FUND

DIRECTORS' REPORT (CONTINUED)

Mr J D Leece AM

Non-Executive Director since 20 May 2011 (continued)

for Children and Students; a Trustee of the Charlie Perkins Scholarships Trust awarding scholarships to Indigenous Australians to attend university at Oxford or Cambridge; a Councillor of the Australian Geographic Society; a Life Benefactor of the Westmead Institute for Medical Research; a Patron of the Australian Chamber Orchestra and the Art Gallery of NSW. He is the initiator of the International Defence and Security Dialogues. John is also a member of the Explorers Club of New York and has been awarded the Australian Geographic Silver Medallion Spirit of Adventure. He has been recognised in the Order of Australia as a Member in the General Division for significant service to the community, particularly to the Scouting Movement and to philanthropy.

Ms J Steiner AM

Non-Executive Director since 27 April 2017

Julie Steiner retired from a senior executive career in May 2020. Most recently her profession was as joint Managing Director of an Australian search firm which she co-founded and then Global Practice Head of an international executive search firm. Prior to her 20 years in global executive search, Julie led large and complex organisations in the public and private sectors such as ABC Enterprises for the Australian Broadcasting Corporation and listed entity IMAX Australia. Her early career was in publishing with Macmillan and Penguin Books. She has been a broadcaster with the ABC and has sat on several Boards. Julie is a graduate of the Australian Institute of Company Directors. In addition to the Board of the Australian Chamber Orchestra Pty Ltd, Julie is affiliated with the specialist Risk, Board and Governance advisory firm, Blackhall and Pearl. Julie has an honours degree in English, Literature and Politics from the University of Melbourne.

Mr J G Taberner

Non-Executive Director since 10 December 2010

John Taberner was for 20 years until 2008, a partner in the Sydney office of Herbert Smith Freehills, Solicitors. Since 2008, he has been a Senior Consultant at Herbert Smith Freehills, Solicitors. John has extensive experience advising a wide range of clients on all aspects of environmental law. For 20 years he led the firm's environmental law practice in Sydney and was also a director of the firm's national Pro Bono practice. John has Masters degrees in Arts and Environmental Law. He is also a Director and Life Patron of the Australian Chamber Orchestra Pty Limited. John is also a Director of ACO UK and ACO US.

Principal activities

The Fund is an unregistered, wholesale, managed investment fund.

The Fund invests in rare, historical, high quality stringed instruments which are loaned to the Australian Chamber Orchestra Pty Limited for use by its players. The Fund intends to generate long term capital gains and is not expected to generate a return on income in the short term.

The Fund did not have any employees during the year.

There were no significant changes in the nature of the Fund's activities during the year.

Review and results of operations

The Fund continues to hold its investment in four rare, historical, high quality stringed instruments; a *1728/29 Stradivarius* violin, *1714 Guarneri* violin, *1616 Brothers Amati* cello and a *1590 Brothers Amati* violin across the entire year. Throughout the year, the Fund continued its search for future investments in accordance with the governing documents of the Fund and the provisions of the Fund's trust deed. The performance of the Fund, as represented by the results of its operations, was a net profit for the year ended 30 June 2021 of \$Nil (2020: \$Nil).

AUSTRALIAN CHAMBER ORCHESTRA INSTRUMENT FUND

DIRECTORS' REPORT (CONTINUED)

Distributions

Distributions paid and payable for the year ended 30 June 2021 were \$Nil (2020: \$Nil).

Unit prices

Unit prices are shown as follows:

	30 June 2021	30 June 2020
Unit prices	<u>\$1.45</u>	<u>\$1.45</u>

It should be noted that redemptions will only be possible during periodic withdrawal windows (in accordance with Note 3d).

The key differences between net assets for unit pricing purposes and net assets as reported in the financial statements prepared under Australian Accounting Standards have been outlined below:

	30 June 2021	30 June 2020
	\$	\$
Net Assets for Unit pricing purposes	7,075,984	7,075,985
Effect of classification of net assets to unitholders as liabilities	(7,075,984)	(7,075,985)
Net Assets under Australian Accounting Standards	<u>-</u>	<u>-</u>

Significant changes in the state of affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the Fund that occurred during the financial year.

Matters subsequent to the end of the financial year

On 15 July 2021, the unitholders unanimously resolved to continue the Fund for another five years, at the 10-year anniversary meeting of the Fund per the Information Memorandum.

This resolution occurring after 30 June 2021 does not significantly affect, or may not significantly affect:

- i. the operations of the Fund in future financial years,
- ii. the results of those operations in future financial years, and
- iii. the state of affairs of the Fund in future financial years.

Likely developments and expected results of operations

The Fund will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Fund and in accordance with the provision of the Fund's trust deed.

The results of the Fund's operations will be affected by a number of factors, including the performance of the historical stringed instrument market in which the Fund is invested in. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

DIRECTORS' REPORT (CONTINUED)

Likely developments and expected results of operations (continued)

Further information on likely developments in the operations of the Fund and the expected results of those operations have not been included in this report because the Trustee believes it would be likely to result in unreasonable prejudice of the Fund.

Indemnity and insurance of officers

No insurance premiums are paid for out of the assets of the Fund with regard to insurance cover provided to either the officers of Australian Chamber Orchestra Instrument Fund Pty Limited or the auditors of the Fund.

The officers of the Australian Chamber Orchestra Instrument Fund Pty Limited are in no way indemnified out of the assets of the Fund.

Insurance premiums have been paid to provide insurance cover to the officers of the Australian Chamber Orchestra Instrument Fund Pty Limited by the Australian Chamber Orchestra Pty Limited.

Indemnity of auditors

The auditors of the Fund are in no way indemnified out of the assets of the Fund.

Fees paid to and interests held in the Fund by the Trustee or its associates

No fees were paid out of Fund to the Trustee or its associates during the year.

No fees were paid out of Fund to the directors of the Trustee during the year.

The number of interests in the Fund held by the Trustee or its associates as at the end of the financial year are disclosed in Note 11 to the financial statements.

Fees paid to the AFSL Holder

Fees paid to the AFSL holder in the year ended 30 June 2021 were \$Nil (2020: \$Nil).

Interests in the fund

The movement in the number of units on issue in the Fund during the year is disclosed in Note 5 of the financial statements.

The value of the Fund's assets and liabilities is disclosed on the statement of financial position and derived using the basis set out in Note 3 to the financial statements.

Environmental regulations

The operations of the Fund are not subject to any or significant environmental regulations under a Commonwealth, State or Territory law.

Auditor's independence

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 21.

AUSTRALIAN CHAMBER ORCHESTRA INSTRUMENT FUND

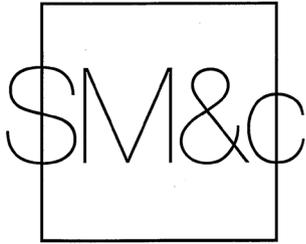
DIRECTORS' REPORT (CONTINUED)

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



W D BEST
Director
Sydney

19 October 2021



Auditor's Independence Declaration

To the Directors of Australian Chamber Orchestra Instrument Fund Pty Ltd:

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as auditor of the audit of the Australian Chamber Orchestra Instrument Fund Pty Ltd, I declare that, to the best of my knowledge and belief, during the year ended 30 June 2021 there have been no contraventions of:

- (i) The auditor independence requirements of the Corporations Act 2001 in relation to the audit
- (ii) Any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink that reads 'Steven J Miller & Co'.

STEVEN J MILLER & CO
Chartered Accountants

A handwritten signature in black ink that reads 'S J Miller'.

S J MILLER
Registered Company
Auditor No 4286

Sydney

Dated 19, 10, 21

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ABN 23 690 541 177



AUSTRALIAN CHAMBER ORCHESTRA INSTRUMENT FUND

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME for the year ended 30 June 2021

	Note	Year Ended 30 June 2021 \$	Year Ended 30 June 2020 \$
Investment Income			
Net (loss) / gain on musical instruments held at fair value	8	(646,277)	205,952
Net investment (loss) / income		(646,277)	205,952
Expenses			
Provision for liquidity risk benefit / (expense)		452,393	(144,166)
Total operating expenses		452,393	(144,166)
Operating (loss) / profit		(193,884)	61,786
Income tax benefit / (expense)	4	193,884	(61,786)
Net profit after income tax		-	-
Changes in net assets attributable to unit holders	5	-	-
Other comprehensive income		-	-
Total comprehensive income		-	-

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

as at 30 June 2021

	Note	30 June 2021 \$	30 June 2020 \$
Assets			
Cash and cash equivalents	7	40,754	40,754
Musical Instruments	8	8,982,651	9,628,928
Total assets		9,023,405	9,669,682
Liabilities			
Payables	9	1	-
Deferred tax liability	10	988,828	1,182,712
Provision for liquidity risk	13	958,592	1,410,985
Total liabilities (excluding liability to unitholders)		1,947,421	2,593,697
Net assets attributable to unitholders	5	7,075,984	7,075,985
Liability to unitholders			
Fair value of outstanding units	5	7,075,984	7,075,985
Liability to unitholders		7,075,984	7,075,985

The above statement of financial position should be read in conjunction with the accompanying notes.

AUSTRALIAN CHAMBER ORCHESTRA INSTRUMENT FUND

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2021

The Fund's net assets attributable to unitholders are classified as a liability under AASB 132 Financial Instruments: Presentation. As such, the Fund has no equity and no items of change in equity have been presented for the current or comparative year.

The above statement of changes in equity should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

for the year ended 30 June 2021

	Note	Year Ended 30 June 2021 \$	Year Ended 30 June 2020 \$
Cash flows from operating activities			
Licence holder fees paid		-	-
Net increase / (decrease) of intercompany loan		-	(9,800)
Other expenses paid / (refund)		-	-
Net cash inflow / (outflow) from operating activities		-	(9,800)
Cash flows from financing activities			
Proceeds from purchases of units by unitholders		381,486	527,797
Payments for redemptions by unitholders		(381,486)	(477,799)
Net cash inflow from financing activities		-	49,998
Net decrease in cash and cash equivalents		-	40,198
Cash and cash equivalents, beginning of year		40,754	556
Cash and cash equivalents, end of year	7	40,754	40,754

The above statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTSfor the year ended 30 June 2021

Note	Description	Page
1	General information and statement of compliance	27
2	Changes in accounting policies	27
3	Summary of accounting policies	28
4	Income tax expense	31
5	Net assets attributable to unitholders	31
6	Distributions to unitholders	32
7	Cash and cash equivalents	33
8	Musical instruments	33
9	Payables	34
10	Deferred tax liability	34
11	Related party transactions	34
12	Investment risk	37
13	Liquidity risk	37
14	Contingent liabilities	38
15	Events occurring after balance date	38

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2021

Note 1: General information and statement of compliance

These financial statements cover Australian Chamber Orchestra Instrument Fund (“the Fund”) as an individual entity. The Fund was established on 14 July 2011. The Fund will reach its 10-year anniversary on 14 July 2021. The Fund is required within a three-month window of its 10-year anniversary to put a resolution to unitholders to continue the Fund. Unless such a resolution is passed at the meeting by more than 50% of unitholders (by value) attending the meeting, the Fund will terminate and, in accordance with the Fund’s trust deed, its assets will be realised and the net proceeds (after meeting all Fund liabilities) will be distributed to unitholders. Refer to Note 15 for the Events occurring after balance date.

The Trustee of the Fund is Australian Chamber Orchestra Instrument Fund Pty Limited (“the Trustee”). The Trustee’s office is Opera Quays, 2 East Circular Quay, Sydney, NSW 2000. The Manager of the Fund is Australian Chamber Orchestra Pty Limited, and the Australian Financial Services Licence holder is JBWere Pty Limited (“AFSL holder”).

The Fund aims to generate long term capital growth in accordance with the objectives stated in the governing documents of the Fund and in accordance with the provisions of the Fund’s trust deed. It aims to achieve this objective by investing in rare, historical, high quality stringed instruments.

The financial statements were authorised for issue by the directors of the Trustee on 19 October 2021. The directors of the Trustee have the power to amend and reissue the financial statements.

Note 2: Changes in accounting policies

New Standards adopted as at 1 July 2020

There have been no significant changes to the accounting policies for the Fund.

The Fund has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (‘AASB’) that are mandatory for the prior reporting periods, there were no new standards applicable as at 1 July 2020.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

2.1 New Standards adopted as at 1 July 2019

- *AASB 15 Revenue with Customers and AASB1058 Income of Not-for-Profit Entities* supersede all the income recognition requirements relating to private sector Not-for-Profit (NFP) entities and the majority of income recognition requirements relating to public sector NFP entities (previously in *AASB 1004 Contributions*).
- *AASB 16 Leases* replaces *AASB 117 Leases* along with three AASB Interpretations (*Interpretation 4 Determining whether an Arrangement contains a Lease*, *Interpretation 115 Operating Leases-Incentives* and *Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease*).

The adoption of these standards has not had a material impact on the Fund.

AUSTRALIAN CHAMBER ORCHESTRA INSTRUMENT FUND

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2021

Note 3. Summary of accounting policies

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. The Australian Chamber Orchestra Instrument Fund is a for-profit public trading trust for the purpose of preparing the financial statements.

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All balances are expected to be recovered or settled within twelve months, except for investments in musical instruments and net assets attributable to unitholders.

The annual report is presented in Australian dollars which is the Fund's functional currency.

b) Musical instruments

Musical instruments are held for long term capital growth. They are shown at fair value based on periodic, at least triennial, valuations by reputable valuers such as *Tarisio, NY and London, J & A Beare Limited, London* and *Peter Biddulph Limited, London* which are based on active market prices, adjusted for any difference in craftsmanship, age and/or condition of the instrument, if necessary. The reasonableness of the fair value is assessed annually by the directors of the Trustee Company.

There is no definitive accounting standard which deals with investments in rare, historical stringed instruments held for longer term capital growth. The Board of Directors considers its most appropriate and reliable method is to record changes in fair value in the net profit or loss, rather than comprehensive income. The musical instruments are not depreciated.

c) Use of estimates and judgement

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates are continually evaluated and based on historical experiences and other factors such as the impacts from the COVID-19 pandemic, including expectation of future events that are considered to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

d) Net assets attributable to unitholders

Units can be applied for at any time but are redeemable in limited withdrawal windows that the Trustee intends to provide every three years. The last withdrawal window was 1 to 21 July 2020. The next withdrawal period will depend on the outcome of the 10-year anniversary vote, refer to Note 15 for the Events occurring after balance date.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2021

Note 3. Summary of accounting policies (continued)

d) Net assets attributable to unitholders (continued)

Net assets attributable to unitholders are classified as financial liabilities as units are redeemable at the option of the unitholder periodically. The fair value of redeemable units is measured at the redemption amount that is payable (based on the unit price) at the end of the reporting period if unitholders were to redeem their units in the Fund.

e) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call, other short term, highly liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

Payments and receipts relating to the purchase and sale of stringed instruments are classified as cash flows from operating activities, as movements in the fair value of these assets represent the Fund's main income generating activity.

f) Interest income

Interest income is recognised in the statement of profit or loss and other comprehensive income for all interest-bearing instruments using the effective interest rate method.

g) Expenses

The Fund may reimburse the Trustee for fees paid by it to the AFSL holder and any other costs incurred by it in connection with the Fund. All expenses are brought to account on an accrual basis.

h) Income tax expense

The Fund accounts for the current and future tax consequences of its own assets and liabilities and other events, as the Fund is currently a public trading trust. The Trustee is liable to pay tax on the net income of the Fund.

The income tax expense/(benefit) for the year comprises current income tax expense/(benefit) and deferred tax expense/(benefit). Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities/(assets) are measured at amounts expected to be paid to/(recovered from) the relevant tax authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year. Deferred tax assets and liabilities are calculated at the rates that are expected to apply to the period when the asset is realised or the liability is settled, and their measurement also reflects the manner in which Management expects to recover or settle the carrying amount of the related asset or liability. Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

AUSTRALIAN CHAMBER ORCHESTRA INSTRUMENT FUND

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 30 June 2021

Note 3. Summary of accounting policies (continued)

h) Income tax expense (continued)

The company tax rate for the income year commencing on 1 July 2020, which applies to the Australian Chamber Orchestra Instrument Fund is 30% (2020: 30%).

i) Goods and services tax (GST)

Receivables and payables in the statement of financial position are shown exclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST components of investing and financing activities, which are disclosed as operating cash flows.

j) Provision for liquidity risk

The provision for liquidity risk estimates the future cash outflows relating to the transaction costs and the liquidity risk of units in the Australian Chamber Orchestra Instrument Fund at the reporting date.

The estimate of these outflows may vary from the actual outflows.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2021

	30 June 2021 \$	30 June 2020 \$
Note 4: Income tax expense		
The components of income tax (benefit) / expense are:		
Current tax		
Deferred tax (benefit) / expense – origination and reversal of temporary differences	<u>(193,884)</u>	<u>61,786</u>
Income tax (benefit) / expense	<u>(193,884)</u>	<u>61,786</u>
Numerical reconciliation of income tax (benefit) / expense to prima facie tax payable:		
Operating (loss)/profit before income tax (benefit) / expense	<u>(193,884)</u>	<u>61,786</u>
Prima facie tax (receivable) / payable on profit/(loss) from ordinary activities before income tax at 30% for the year ended 30 June 2021 (2020: 30%)	(58,165)	18,536
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Provision for liquidity risk	<u>(135,719)</u>	<u>43,250</u>
Income tax (benefit) / expense attributable to the Fund	<u>(193,884)</u>	<u>61,786</u>

Note 5: Net assets attributable to unitholders

Movements in the numbers of units and net assets attributable to unitholders during the year were as follows:

	30 June 2021 \$	30 June 2021 Number	30 June 2020 \$	30 June 2020 Number
Opening balance 1 July	<u>7,025,984</u>	<u>4,879,989</u>	<u>7,025,985</u>	<u>4,845,507</u>
Applications	381,486	263,094	527,797	363,998
Redemptions	<u>(381,486)</u>	<u>(263,094)</u>	<u>(477,798)</u>	<u>(329,516)</u>
Closing balance at 30 June	<u>7,075,984</u>	<u>4,879,989</u>	<u>7,075,984</u>	<u>4,879,989</u>

AUSTRALIAN CHAMBER ORCHESTRA INSTRUMENT FUND

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2021

Note 5: Net assets attributable to unitholders (continued)

As stipulated within the trust deed, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund. There are no separate classes of units and each unit has the same rights attaching to it as all the other units of the Fund.

The Board undertook a valuation of the current units and agreed at the 26 May 2021 Board meeting to maintain the value of the unit price at \$1.45 (2020: \$1.45 per unit was confirmed at formal valuation on 27 May 2020). The value of \$1.45 per unit, continues to be an appropriate unit value as at 30 June 2021.

Capital risk management

The Fund considers its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability. The amounts of net assets attributable to unitholders is subject to daily applications and periodical redemptions.

A unit in the Fund is an illiquid investment. The Trustees are provided with periodic withdrawal opportunities under which a limited number of units will be purchased by the Australian Chamber Orchestra Pty Limited from investors who wish to participate in the relevant withdrawal opportunity. The Trustee provides withdrawal opportunities every three years. The withdrawal opportunity for redemption since the Fund's inception occurred in 2014, 2017 and 2020. 50,000 units were redeemed during the first withdrawal window, none in the second window and 263,094 units were redeemed in the third withdrawal opportunity in July 2020.

Additionally, if the Trustee determines that the Fund's cash levels materially exceed its forecast requirements, it will offer a pro rata redemption opportunity or make a pro rata capital distribution to unitholders.

The Fund will reach its 10-year anniversary on 14 July 2021. The Fund is required within a three-month window of its 10-year anniversary to put a resolution to unitholders to continue the Fund. Unless such a resolution is passed at the meeting by more than 50% of unitholders (by value) attending the meeting, the Fund will terminate and, in accordance with the Fund's trust deed, its assets will be realised and the net proceeds (after meeting all Fund liabilities) will be distributed to unitholders. In the event of the winding up of the Fund, the time needed to realise the assets of the Fund, meet liabilities and make distributions to unitholders is likely to exceed the time needed to complete the same steps for a traditional investment fund. Refer to Note 15 for the Events occurring after balance date.

Note 6. Distributions to unitholders

There were no distributions paid or payable during the year ended 30 June 2021 (2020: \$Nil).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2021

	Note	30 June 2021 \$	30 June 2020 \$
Note 7: Cash and cash equivalents			
Cash at bank		<u>40,754</u>	<u>40,754</u>
		<u>40,754</u>	<u>40,754</u>
Note 8: Musical instruments			
Stringed Instruments			
Fair value at 1 July		9,628,928	9,422,976
Net (loss) / gain from fair value adjustment	8(a)	<u>(646,277)</u>	<u>205,952</u>
Fair value at 30 June		<u>8,982,651</u>	<u>9,628,928</u>

8(a) Net (loss) / gain from fair value adjustment

The 2021 loss from the fair value adjustment was largely due to adverse exchange rate movements of \$838,913 offset by a revaluation increment of \$192,636 (USD 144,824) from the valuation on 26 May 2021 effective 30 June 2021, which resulted in a combined net loss of \$646,277.

The 2020 gain from fair value adjustment is solely due to movements in exchange rates, as the formal valuation on 27 May 2020 did not result in a change in the underlying US dollar value of the assets.

Valuation basis

The Fund values its musical instruments at fair value which it reviews at least annually. The reasonableness of the fair value is assessed by the directors of the Trustee Company annually.

External valuations from reputable valuers are requested on at least a triennial basis and are based on active market prices, adjusted for any difference in craftsmanship, age and/or condition of each instrument, if necessary. The fair value is the amount which a willing party in an arm's length transaction would be willing to pay, based on current prices in an active market for similar instruments with similar qualities. These valuations were provided in US dollars.

On 27 May 2020, the directors approved a formal valuation from updates provided by three reputable valuers for all its musical instruments. *Peter Biddulph Limited (London)*; *J&A Beare Limited (London)* and *Tarisio Fine instruments and Bows (London and New York)* provided valuations as described by the Information Memorandum. After considering the impact of COVID-19 pandemic on economic markets, the directors agreed to keep the underlying US dollar values the same as the previous year. The value of the four instruments was then adjusted for the effects of the US Dollar exchange rate change at 30 June 2020.

On 26 May 2021, the directors again carried out and approved another valuation with the same three independent valuers in US dollars, which remained effective as at 30 June 2021. This valuation was conducted in advance of the financial year and the 10-year anniversary wind-up meeting in July 2021. The valuation resulted in a revaluation increment of \$192,636 (USD 144,824) as at 30 June 2021.

AUSTRALIAN CHAMBER ORCHESTRA INSTRUMENT FUND

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2021

Note 8: Musical instruments (continued)

Valuation basis (continued)

The USD exchange rate as at 30 June:

	30 June 2021	30 June 2020
US Dollar exchange rates	<u>0.7518</u>	<u>0.6863</u>

Contractual obligations

Pursuant to clause 3.6 of the Fund Administration Agreement, the Fund is obligated to hire musical instruments to the Australian Chamber Orchestra Pty Limited for specified hiring periods as agreed in writing. The four rare, historical stringed musical instruments; *1728/29 Stradivarius* violin, *1714 Guarneri* violin, *1616 Amati Brothers* cello and the *1590 Brothers Amati* violin will continue to be hired by the Australian Chamber Orchestra Pty Limited until 14 July 2021 as per current arrangements. Refer to Note 15 for the Events occurring after balance date.

Note 9: Payables

	Note	30 June 2021	30 June 2020
		\$	\$
Accrued expenses		<u>1</u>	<u>-</u>
		<u>1</u>	<u>-</u>

Note 10: Deferred tax liability

Fair value gain on musical instruments		999,123	1,193,007
Future income tax benefits attributable to tax losses	10(a)	(10,295)	(10,295)
		<u>988,828</u>	<u>1,182,712</u>

(a) Movements:

Opening balance		1,182,712	1,120,926
(credited)/charged to profit or loss		(193,884)	61,786
Closing Balance		<u>988,828</u>	<u>1,182,712</u>

Note 11: Related party transactions

Trustee

The trustee of Australian Chamber Orchestra Instrument Fund is Australian Chamber Orchestra Instrument Fund Pty Limited ("the Trustee"). The Trustee is a controlled entity of Australian Chamber Orchestra Pty Limited.

Australian Chamber Orchestra Pty Limited is the Manager of the Fund. JBWere Pty Limited is the AFSL holder (AFSL 341162).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2021

Note 11: Related party transactions (continued)

Key management personnel

Key management personnel include persons who were directors of Australian Chamber Orchestra Instrument Fund Pty Limited at any time during the financial year as follows:

- Mr W D Best
- Ms J Block
- Mr E N Gilmartin
- Mr J D Leece
- Ms J Steiner
- Mr J G Taberner

There is no compensation paid to key management personnel from the Fund. The Fund has not made, guaranteed or secured, directly or indirectly, any loans to key management personnel or their personally related entities at any time during the reporting period.

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Fund during the financial year and there were no material contracts involving key management personnel's interests existing at year end.

The key management personnel hold units in the Fund as follows:

2021	Opening Units	Units acquired / transferred	Units disposed / transferred	Closing Units	Fair value \$	Interest held %	Distributions Paid \$
Unitholder							
WD Best	100,000	-	-	100,000	145,000	2.05	-
Aljebra Pty Ltd ATF Aljebra Investment Trust [*]	214,285	-	-	214,285	310,713	4.39	-
J Block	34,482	-	-	34,482	50,000	0.71	-
J Steiner	15,000	-	-	15,000	21,750	0.31	-
J Taberner	107,830	-	-	107,830	156,354	2.21	-
Trustees for the Languedoc Superannuation Fund [#]	213,632	-	-	213,632	309,766	4.38	-
	685,229	-	-	685,229	993,583	14.05	-
2020	Opening Units	Units acquired / transferred	Units disposed / Transferred	Closing Units	Fair value \$	Interest held %	Distributions Paid \$
Unitholder							
WD Best	100,000	-	-	100,000	145,000	2.05	-
Aljebra Pty Ltd ATF Aljebra Investment Trust [*]	214,285	-	-	214,285	310,713	4.39	-
J Block	-	34,482	-	34,482	50,000	0.71	-
J Steiner	15,000	-	-	15,000	21,750	0.31	-
J Taberner	-	107,830	-	107,830	156,354	2.21	-
Trustees for the Languedoc Superannuation Fund [#]	96,428	117,204	-	213,632	309,766	4.38	-
	425,713	259,516	-	685,229	993,583	14.05	-

^{*} Director of Aljebra Pty Ltd ATF Aljebra Investment Trust is Mr E N Gilmartin.

[#] Director of Trustees for the Languedoc Superannuation Fund is Mr John Taberner a director of the Australian Chamber Orchestra Pty Ltd and Australian Chamber Orchestra Instrument Fund Pty Ltd.

AUSTRALIAN CHAMBER ORCHESTRA INSTRUMENT FUND

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2021

Note 11: Related party transactions (continued)

Related party holdings

Parties related to the Fund, held units in the Fund as follows:

2021	Opening Units	Units acquired / transferred	Units disposed / transferred	Closing Units	Fair value \$	Interest held %	Distributions Paid \$
Unitholder							
Australian Chamber Orchestra Pty Ltd	-	263,094	-	263,094	381,486	5.39	-
Wyargine Holdings Pty Ltd**	200,000	-	-	200,000	290,000	4.10	-
	200,000	263,094	-	463,094	671,486	9.49	-
2020	Opening Units	Units acquired / transferred	Units disposed / transferred	Closing Units	Fair value \$	Interest held %	Distributions Paid \$
Unitholder							
Australian Chamber Orchestra Pty Ltd	329,516	-	(329,516)	-	-	-	-
Wyargine Holdings Pty Ltd**	200,000	-	-	200,000	290,000	4.10	-
	529,516	-	(329,516)	200,000	290,000	4.10	-

** Wyargine Holdings Pty Ltd is a related entity of Mr Guido Belgiorno-Nettis AM a director of the Australian Chamber Orchestra Pty Ltd.

Trustees fees and other transactions

Neither the Trustee nor the Australian Chamber Orchestra Pty Limited charge fees for operating or managing the Fund.

The Trustee may be reimbursed from the Fund for costs incurred by it in connection with the Fund. No costs were reimbursed from the Fund to the Trustee during the year ended 30 June 2021 (2020: \$Nil).

The Australian Chamber Orchestra Pty Limited provides various general administrative and secretarial services to the Trustee at no cost under the Fund Administration Agreement, an agreement between the Australian Chamber Orchestra Pty Limited and the Trustee.

The Fund and the Australian Chamber Orchestra Pty Limited have signed an Instrument Hire Agreement, whereby for a nominal fee the Australian Chamber Orchestra Pty Limited can utilise the instruments held by the Fund. However, in consideration of the general administrative and secretarial services provided by the Australian Chamber Orchestra Pty Limited, the fee has been waived.

The Trustee is responsible for fees paid to the Australian Financial Services Licence (AFSL) Holder under the Licence Service Agreement, an agreement between the Trustee and JBWere Pty Limited. The Trustee may recover these fees from the Fund. The Fees due are paid direct by the Fund, hence there was no recovery by the Trustee during the year ended 30 June 2021 (2020: \$Nil).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2021

Note 12: Investment risk

The Fund's investment objective is the achievement of long-term capital gains from investing in rare, historical, high quality stringed instruments. Accordingly, the Fund is not expected to generate regular income returns.

Further, there is a risk that the investment strategy will fail to perform as expected in which case the investment objective for the Fund may not be achieved.

In accordance with the investment strategy, the Fund does not intend to hold investments other than musical instruments and cash.

Note 13: Liquidity risk

The Fund's trust deed provides for limited periodic withdrawal windows every three years. The Australian Chamber Orchestra Pty Limited will purchase up to \$500,000 worth of units on a pro-rata basis from unitholders wishing to participate in the withdrawal opportunity. Therefore, the Fund is not exposed to the liquidity risk of meeting unitholders' redemptions at these times.

The first withdrawal window commenced on 1 July 2014 and closed on 21 July 2014, where 50,000 units were withdrawn from the Fund. The Australian Chamber Orchestra Pty Limited purchased the 50,000 units for \$60,000 (a unit price of \$1.20) at that time.

The second withdrawal window commenced on 1 July 2017 and closed on 21 July 2017, with no withdrawal requests.

The third withdrawal window commenced on 1 July 2020 and closed on 21 July 2020, where a total of 263,094 units from four unitholders were withdrawn from the Fund. On 27 July 2020, the Trustee approved the transfer to and purchase of 263,094 units by the Australian Chamber Orchestra Pty Limited. (at a unit price of \$1.45). The value of the applications did not exceed the \$500,000 withdrawal limit and none of the applications were required to be pro-rated.

See Note 15 for Events occurring after balance date, for future withdrawal windows.

The Fund invests in rare, historical, high quality stringed instruments. The Fund intends to generate long term capital gains and is not expected to generate a return on income in the short term. Musical instruments are an illiquid investment. They are not traded in an organised public market and not easily realisable. The Fund would not be able to sell any of its instruments quickly in order to meet its liquidity requirements.

The Trustee can recover fees paid to the AFSL holder from the Fund as well as any tax owing on the profit of the Fund. The Fund intentionally holds minimal cash and usually pays these amounts from the interest it earns on any cash held in term deposits.

Due to the limited withdrawal opportunities, a unit in the Fund is an illiquid investment. They are not traded in an organised public market but can be transferred privately to other wholesale investors. The Trustee may approve or disallow a transfer of a unitholder's units in its absolute discretion.

AUSTRALIAN CHAMBER ORCHESTRA INSTRUMENT FUND

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2021

Note 13: Liquidity risk (continued)

Any adjustment made by the directors to the unit price is in consideration of the liquidity factors impacting the unit price, the units in the Fund being an unlisted investment with limited withdrawal opportunities and the Fund owns assets that are rarely traded and not easily or quickly realised.

	30 June 2021 \$	Per Unit 30 June 2021 \$	30 June 2020 \$	Per Unit 30 June 2020 \$
Provision for liquidity risk	958,592	\$0.20	1,410,985	\$0.29

Note 14: Contingent liabilities

There are no contingent liabilities that have been incurred by the Fund in relation to 2021 or 2020.

Note 15: Events occurring after balance date

The Fund reached its 10-year anniversary on 14 July 2021, at which stage the Fund was required within a three-month window, to put a resolution to unitholders to continue the Fund. Unless such a resolution is passed at the meeting by more than 50% of unitholders (by value) attending the meeting, the Fund will terminate and, in accordance with the Fund's trust deed, its assets will be realised and the net proceeds (after meeting all Fund liabilities) will be distributed to unitholders.

On 15 July 2021, the 10-year anniversary unitholder meeting was held to vote in consideration of continuing the Fund. The unitholders present, in person and by proxy at the meeting, unanimously voted and resolved to continue the Fund for another five years. The Fund will be required within a three-month window of the 15-year anniversary to put a resolution to unitholders to continue the Fund for a further five years. Unless such a resolution is passed at the meeting by more than 50% of unitholders (by value) attending the meeting, the Fund will terminate and, in accordance with the Fund's trust deed, its assets will be realised and the net proceeds (after meeting all Fund liabilities) will be distributed to unitholders.

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected or may significantly affect the company's operations. Whilst the impact of the COVID-19 pandemic is uncertain, expectation of future events impacting instrument values and capital returns remains stable.

Net assets attributable to unitholders and Liquidity Risk

The next (and fourth) withdrawal window will commence on 1 July 2023.

Musical Instruments, Contractual obligations

The four rare, historical stringed musical instruments; *1728/29 Stradivarius* violin, *1714 Guarneri* violin, *1616 Amati Brothers* cello and the *1590 Brothers Amati* violin will continue to be hired by the Australian Chamber Orchestra Pty Limited until 15 July 2026 as per existing arrangements that were in place on 30 June 2021, with the exception of a new contract expiration date.

AUSTRALIAN CHAMBER ORCHESTRA INSTRUMENT FUND

DIRECTORS' DECLARATION

for the year ended 30 June 2021

In the opinion, of the directors of the Australian Chamber Orchestra Instrument Fund Pty Limited as Trustee for the Australia Chamber Orchestra Instrument Fund:

- (a) The financial statements and notes set out on pages 22 to 38 are in accordance with the *Corporations Act 2001*, including:
 - i. Giving a true and fair view of its financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and
 - ii. Complying with Australian Accounting Standards – Reduced Disclosure Requirements (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) There are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable (refer Note 13).

This declaration is made in accordance with a resolution of the directors.



W D BEST

Director
Sydney
19 October 2021



Independent Audit Report

To the Directors of Australian Chamber Orchestra
Instrument Fund Pty Ltd

Report on the financial report

I have audited the financial report of Australian Chamber Orchestra Instrument Fund (the Fund), which comprises the statement of financial position as at 30 June 2021 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and directors' declaration.

The responsibility of the directors for the financial report

The directors of Australian Chamber Orchestra Instrument Fund Pty Ltd (the Trustee Company) are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 3, the Directors also state, in accordance with Australian Accounting Standards AASB 101 *Presentation of Financial Statements*, that compliance with the Australian Accounting Standards – Reduced Disclosure Requirements ensures that the financial report, comprising the financial statements and notes, complies with Australian Accounting Standards – Reduced Disclosure Requirements.

Auditor's responsibility

My responsibility is to express an opinion on the financial report based on my audit. I have conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial report 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 Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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Independent Audit Report

To the Directors of Australian Chamber Orchestra
Instrument Fund Pty Ltd

Independence

In conducting my audit, I have complied with the independence requirements of the *Corporations Act 2001*. I confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of the Trustee Company would be in the same terms if provided to the directors as at the date of this auditor's report.

Auditor's opinion pursuant to the Corporations Act 2001

In my opinion, the financial report of Australian Chamber Orchestra Instrument Fund is in accordance with the *Corporations Act 2001*, including:

- i) giving a true and fair view of the Fund's financial position as at 30 June 2021 and of its performance for the year ended on that date; and
- ii) Complying with Australian Accounting Standards – Reduced Disclosure Requirements (including Australian Accounting Interpretations) as described in Note 3 and the Corporations Regulations 2001.



STEVEN J MILLER & CO
Chartered Accountants



STEVEN MILLER
Registered Company
Auditor No 4286

Sydney

Dated 22/10/21



ACO IN THE STUDIO

Photo: TYSON PERKINS



ANTI-MONEY LAUNDERING/ COUNTER-TERRORISM FINANCING REPORT

The Instrument Fund is defined as a reporting entity for the purposes of the Anti-Money Laundering/Counter-Terrorism Financing Act. It is therefore required to report on its compliance with the provisions of the AML/CTF Act in each calendar year by 31 March of the following year.

An independent audit was conducted by Financial Services Consulting Pty Ltd in January 2020 on the compliance of the Fund's administration with the AML/CTF Act. The auditor concluded that Part A of the Fund's AML/CTF program in all "material" respects:

- > is effective having regard to the ML/TF risks posed to the Fund;
- > complies with the Rules;
- > has been effectively implemented; and
- > has been complied with.

CORPORATE GOVERNANCE STATEMENT

This Corporate Governance Statement relates to the Australian Chamber Orchestra Instrument Fund (“the Fund”). The Fund is an unregistered managed investment fund, the trustee of which is Australian Chamber Orchestra Instrument Fund Pty Ltd (“the Trustee”).

The ASX Corporate Governance Council has published Corporate Governance Principles and Recommendations which specify the disclosures that should be made by an ASX Listed Entity. In view of its structure, the Fund is not required to make any disclosures relating to its corporate governance framework and practices.

The Trustee Board has a commitment to maintain long term unit-holder value and recognises the benefits of good corporate governance in achieving this aim. The Board is committed to best practice in corporate governance where these practices are appropriate and add value for unit holders in the Fund. The Trustee Board is of the opinion that, subject to certain departures which are not justified for adoption due to the nature and scale of the Fund’s activities and size of the Board, its policies and practices are in compliance with the ASX Corporate Governance Principles and Recommendations.

This statement is provided to outline the Trustee’s current corporate governance practices and the steps being taken to implement the recommendations and guidelines as outlined by the ASX Corporate Governance Council.

PRINCIPLE 1:

Lay solid foundations for management and oversight

The Trustee has delegated all management and administration of the Fund to Australian Chamber Orchestra Pty Ltd ("ACO") under a Fund Administration Agreement. The Board and senior management functions are therefore kept separate. The Board meets regularly to perform its prescribed functions, including formal meetings held every two months as well as additional ad hoc meetings where required.

Each of the Board members is in regular contact with the ACO Managing Director and Chief Financial Officer (CFO) / Company Secretary and the Manager, ACO Instrument Fund. The ACO has a process for evaluating the performance of senior executives, including the evaluation of performance against key performance indicators.

The Trustee has entered into a Licence Services Agreement with JBWere Limited under which they have agreed to provide certain services to the Fund in connection with offers made to wholesale clients to invest in the Fund.

PRINCIPLE 2:

Structure the Board to add value

The Board seeks to ensure that its membership represents an appropriate balance between directors with experience and knowledge of the Fund and the investment market in which it operates, and directors with an external or fresh perspective, and that the size of the Board is conducive to effective discussion and efficient decision making.

The composition of the Board of Directors is prescribed by the Trustee's Constitution and currently comprises six board members, three of whom are not considered independent directors. As such, the Board composition is not in accordance with ASX corporate governance principles however, the Board considers that the individuals on the Board can and do make quality and independent judgements in the best interests of the unit holders on all relevant issues.

The Board members are all non-executive directors and a description of the skills and experience of each of the directors is contained within Financial Statements of this Annual Report under the Directors' report on page 16.

The task of developing and implementing policies and procedures for nomination, selection and appointment of new directors as well as the re-election of incumbent directors is dealt with by the full Board. The Trust is yet to implement a formal process for evaluating the performance of the Board and individual directors.

PRINCIPLE 3:

Instil a culture of acting lawfully, ethically and responsibly

The ACO has a Code of Conduct for directors that provides policy and guidance on matters of conduct as directors. The aim of the code is to guide directors in the execution of their responsibilities, to ensure all legal obligations and stakeholder requirements are considered, and to provide all stakeholders with confidence in the integrity of the Board. The Trustee actively complies with this policy.

PRINCIPLE 4:

Safeguard integrity in corporate reporting

Having regard to the current size and activities of the Fund, the Board will retain responsibility for the duties of the audit committee, including the tasks of the selection and appointment of external auditors and the rotation of external audit engagement partners.

The Board has the power to make call upon the attendance of the ACO Managing Director and CFO, the external auditor or any other person to meetings of the Board. The directors also have access to professional advisors to provide advice and assistance as requested.

The Board will require the ACO Managing Director and CFO to state in writing to the Board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards.

PRINCIPLE 5:

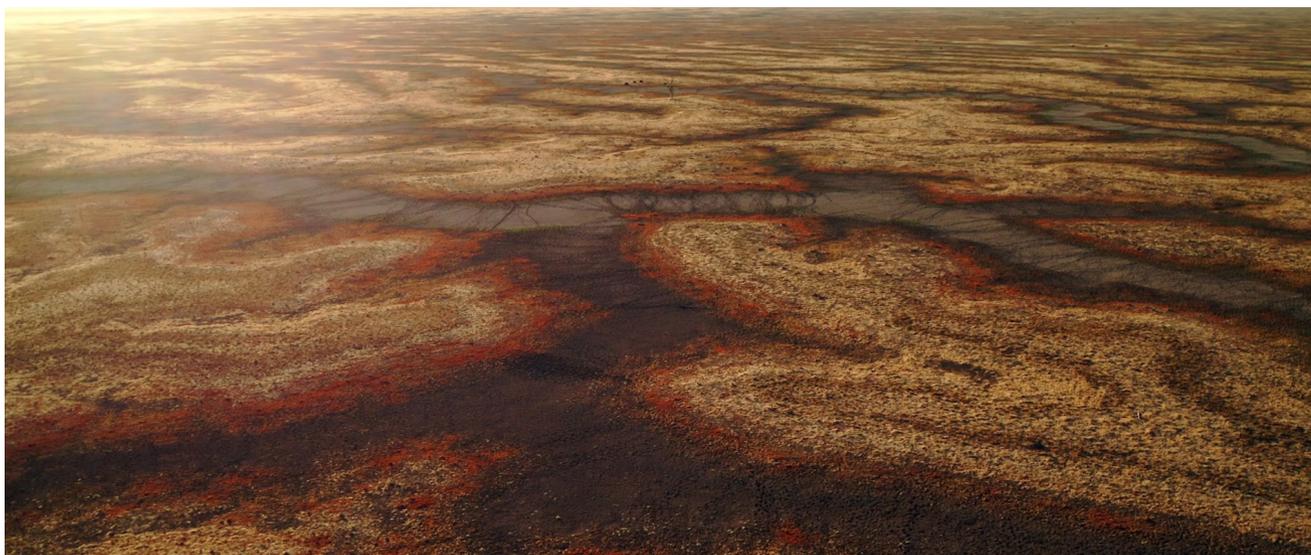
Make timely and balanced disclosure

Although not required to do so by any corporate or stock exchange regulation, the Board has a policy of complying with disclosure requirements as if the Fund were a registered fund. The Fund actively complies with this policy.

PRINCIPLE 6:

Respect the rights of security holders

The Fund has a policy of promoting effective communication with unitholders. The Fund actively complies with this policy by way of regular newsletters posted to unitholders,



ACO: *RIVER* (directed by Jennifer Peedom)

MURRAY DARLING RIVER. PHOTO: RORY MCLEOD

unitholder presentations and its annual report. The Fund does not maintain a website but has a presence on the ACO website which is regularly updated. The ACO has a dedicated staff member employed as Investor Relations Manager who is seconded to the Fund.

PRINCIPLE 7:

Recognise and manage risk

The Board of the Trustee does not have a risk committee and itself oversees the Fund's risk management. It takes the management of risk seriously and has established and documented an enterprise risk management program for the oversight and management of the Fund's material business risks. This enterprise risk management program is based on the International Risk Management Standard AS/NZS ISO 31000:2009.

The area of risk considered under the risk policy include: Strategic and Market; Financial; Health & Safety; Reputational; Business Process & Systems; Property & Environmental and Legal & Regulatory Compliance risks. The Fund's Information Memorandum addresses General Risks including Market, Regulatory, Business, Counterparty, Tax and Foreign Exchange and Individual

Instrument risk. It also addresses Specific Risks such as Manager and Key Person risk, Investment Strategy risk, Liquidity risk and Realisation of Asset risk.

The Fund has also established a Complaints Handling Program, based upon the international and Australian Standard AS ISO 10002-2006. The Board of the Trustee reviews the Risk and Complaints Registers at each of its regular meetings.

PRINCIPLE 8:

Remunerate fairly and responsibly

The directors of the Trustee receive no remuneration for their services on the Board. The management and administration of the Fund is under the care of executive officers of the ACO who, with the exception of the Investor Relations Manager, receive no additional remuneration for these services. The remuneration of the Manager, ACO Instrument Fund is set by the ACO Managing Director having regard to comparative salaries for equivalent positions within the industry in which it operates.

FOUNDING PATRONS OF THE ACO INSTRUMENT FUND



FOUNDING PATRON AND VISIONARY \$1M +

The late Peter Weiss AO

CONCERTO \$200,000 - \$999,999

The late Amina Belgiorno-Nettis
Naomi Milgrom AO

OCTET \$100,000 - \$199,999

John Taberner

QUARTET \$50,000-\$99,999

John Leece AM

CORPORATE DIRECTORY

REGISTERED OFFICE

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