

Australian
Chamber
Orchestra
Instrument
Fund

Annual Report
2012–13



AUSTRALIAN
CHAMBER
ORCHESTRA
INSTRUMENT
FUND





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Chairman's Report

2012–13 has been a year of consolidation for the Australian Chamber Orchestra Instrument Fund (the Fund). Our Stradivarius violin has had a very busy year touring Australia and the world under the custodianship of Principal Violin Satu Vänkä, as Timothy Calnin outlines in his report.

As I mentioned in last year's Chairman's Report, the Fund had \$200,000 cash available and commenced a search for a second instrument. Whilst an instrument was recommended to the Fund for purchase, ultimately a sale did not take place. Given the rarity, and indeed expense, of our targeted instruments it is to be expected that additional acquisitions will be infrequent.

We are confident, however, that we will have the opportunity to consider a second outstanding violin for acquisition in the near future. A Guarneri violin has recently been brought into the country to undergo extensive acoustic testing.

At the end of the financial year, in accordance with our constitution, the ACO Board undertook a valuation of our Stradivarius. After considering an updated valuation from J. & A. Beare, and allowing for currency movement, we agreed that the unit price for the Fund should be set at \$1.15 as at the 1st of July 2013. This unit price reflects the increased

valuation after allowing for an illiquidity discount which the Board felt was appropriate given the nature of the asset we hold. The increased valuation is reflected in our financial year end accounts contained herewith.

During the year a case study of the Fund was included in a report entitled *'IMPACT – Australia. Investment for social and economic benefit'*. This reflects the unique scope of the Fund as we try to fuse the benefits of an investment vehicle whilst at the same time contributing to Australia's cultural landscape.

As mentioned last year, the ACO provides administrative and marketing services to the Fund at no cost to unitholders. Whilst one may think that this is not an onerous requirement given we did not purchase an additional instrument during the year there is a considerable amount to be done, given the rules and regulations governing investment funds. I am very grateful to Stephanie Ings and Catherine Davey at the ACO for their diligence during the year. Unfortunately Stephanie will be leaving us shortly, having done an outstanding job in establishing and implementing our procedures manual. I am glad to say that she leaves us in great shape.

I wish to thank JBWere and their team for their ongoing technical support as Trustee and also for their willingness to put the Fund forward as an example of dynamic philanthropy.

Finally, I would like to thank my fellow directors Jessica Block, Janet Holmes à Court AC, John Leece AM and John Taberner for their expertise and advice during the last year.

Not surprisingly, we continue to be excited about the opportunity to support the outstanding talent of the ACO with world-class instruments and thank our unitholders and donors for sharing this vision. We hope to be able to report the acquisition of our second instrument to you, subject to it satisfying our due diligence process, in the near future.



Bill Best
Chairman
Australian Chamber Orchestra Instrument Fund

Ilya Isakovich © Pierre Toussaint





The Fund's 1728/1729 Stradivarius violin

Report from the Australian Chamber Orchestra

The Australian Chamber Orchestra (ACO) is both the controlling entity of the Australian Chamber Orchestra Instrument Fund (the Fund) and very much the beneficiary of the Fund's investment in great instruments.

As Australia's only truly national touring orchestra, the ACO performs throughout the year and across the country, with year-long subscription seasons in Adelaide, Brisbane, Canberra, Melbourne, Newcastle, Perth, Sydney and Wollongong, and reaches deep into regional Australia through ACO₂, its Emerging Artists and Regional Touring Ensemble.

Each year, the ACO undertakes two international tours and is regularly invited to appear on the most prestigious musical stages of the world and in the most highly regarded festivals.

Part of the ACO's unique musical identity comes from the superb stringed instruments played by some of the musicians of the Orchestra. These instruments, because of their extreme rarity and their highly prized tonal qualities, are far beyond the financial reach of professional musicians and, for most instrumentalists, they remain an unattainable dream.

In 1997, the Commonwealth Bank of Australia took the enlightened step of buying a superb 1759 Guadagnini violin both as a secure financial investment and as a visionary artistic investment by offering it on permanent loan to the ACO. The ACO's Artistic Director Richard Tognetti led the Orchestra with this superb instrument for a decade before passing it to Principal Violin Helena Rathbone.

Since then, several private benefactors have recognised the attractive investment potential of great instruments from the Golden Age of 18th Century Italian instrument making and have made three further superb instruments available to ACO musicians. The ACO's leading private benefactor Peter Weiss AO bought the magnificent 1721 Giuseppe Guarneri filius Andreae cello in 2007 for use by ACO Principal Cellist Timo-Veikko Valve, and in the same year an anonymous supporter purchased the extraordinary 1743 Guarneri del Gesù violin, known by its nickname the *Carrodus*, for Richard Tognetti to play. Inspired by the leadership of the Commonwealth Bank of Australia and these remarkable private benefactors, the ACO established the ACO Instrument Fund in 2011 and set about raising funds for the first instrument in the Fund.

A very special instrument was identified for the Fund's consideration – a 1728/29 Stradivarius violin, offered for sale for the first time and, after extensive acoustic

testing and research into its provenance, it became the inaugural instrument in the ACO Instrument Fund.

The fortunate custodian of the ACO Stradivarius violin is Principal Violin Satu Vänskä. Satu has played on this splendid violin in dozens of concerts since the establishment of the Fund, all around Australia and on tour internationally in such famous concert halls at Orchestra Hall, Chicago; Carnegie Hall, New York; London's Queen Elizabeth Hall; Amsterdam's Concertgebouw; and Vienna's Musikverein. The instrument has been featured in solo concertos, chamber works (such as Mendelssohn's Octet, recorded for BIS) and in the ACO's orchestral repertoire. In 2012–13, Satu performed on this instrument in the Edinburgh Festival, the Hong Kong Arts Festival, Cadogan Hall in London and in every major concert hall in Australia.

Most recently, an anonymous benefactor has bought a remarkable double bass by the legendary luthier Gasparo da Salò which dates from the 1580s, making it available to the ACO on a long-term loan, thereby adding another remarkably historic instrument to the ACO's extraordinary collection.

The ACO is now actively seeking a second great violin to bring into the Fund and it is anticipated that another superb instrument will be identified and tested then recommended to the Fund during 2013–14.

The ACO is deeply grateful to the ACO Instrument Fund for enabling this vital step in the Orchestra's artistic evolution and to the Directors of the Fund for their determination to bring this visionary concept to fruition and their energy and enthusiasm to promote the possibilities of this very sound investment.



Timothy Calnin
General Manager
Australian Chamber Orchestra



Directors of the ACO Instrument Fund

The Trustee of the Fund is the Australian Chamber Orchestra Instrument Fund Pty Ltd (ACN 147 806 424)

The Trustee will act as the trustee for the Fund. The Trustee has been established for the sole purpose of acting as trustee of the Fund.

The Trustee's constitution requires that, at all times, the majority of its directors must be directors of the Australian Chamber Orchestra Pty Ltd (ACN 001 335 182).

The directors of the Trustee are: Bill Best (Chairman), Jessica Block, Janet Holmes à Court, John Leece and John Taberner. Each of Bill Best, Janet Holmes à Court and John Taberner is a director of the Australian Chamber Orchestra Pty Ltd (ACN 001 335 182).

Brief information about the directors of the Trustee is set out below:

Mr W D Best – Chairman of the Australian Chamber Orchestra Instrument Fund

Bill Best is currently a consultant to MAP Capital Advisors. Bill has 30 years of investment banking and stockbroking experience and was for many years an executive director, Macquarie Capital Advisors. Bill is also Chairman of Inala, a Rudolf Steiner Organisation supporting individuals with disabilities. Bill has LLB, B.Comm and M.Comm degrees and is a Director of the Australian Chamber Orchestra Pty Ltd.

Ms J Block

Jessica Block has a degree in Arts/Law from the University of Sydney. She practised as a solicitor with Mallesons Stephen Jacques for five years until 1996, when she was made a Senior Associate. She then spent two years with the Nine Network as one of its Corporate Counsel, from 1996 until 1998 and has held senior management positions with The Bell Shakespeare Company and Sydney Festival. Jessica is currently Deputy General Manager of the Australian Chamber Orchestra.

Mrs J Holmes à Court AC

Janet Holmes à Court is owner of the Janet Holmes à Court Collection. She is also Chairman of the John Holland Advisory Board, one of Australia's leading construction and engineering companies; the West Australian Symphony Orchestra; the Australian Children's Television Foundation and the Australian Urban Design Research Centre (AUDRC). She is a Board Director of Vision 2020 Australia, Board Member of the Rio Tinto Community Investment Fund, the Australian National Academy of Music (ANAM), the Australian Major Performing Arts Group (AMPAG) and Chamber of Arts and Culture WA. She is a science graduate from the University of Western Australia and taught science for a number of years before working more closely with family business matters. She has won numerous awards recognising her contribution to the community and to business, including a Companion of the Order of Australia. She is also a Director of the Australian Chamber Orchestra Pty Ltd.

Mark Ingwersen © Pierre Toussaint



Mr J D Leece AM

John Leece is a Partner of Boroughs Chartered Accountants and has been so for more than 30 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 Trustee of the Charlie Perkins Trust for Children and Students; a Life Benefactor of the Westmead Medical Research Foundation; and a Patron of the Australian Chamber Orchestra (for over 20 years) and the Art Gallery of NSW and other organisations. He recently initiated the International Defence and Security Dialogue. John is also a member of the Explorers Club of New York; has been awarded the Australian Geographic Silver Medallion Spirit of Adventure and in 2000, was awarded a Medal of the Order of Australia (OAM) for services to the community through the Spirit of Australia South Pole Expedition, and to the Scouting movement. In 2013, he was awarded a Member of

the Order of Australia (AM) for significant service to the community, particularly to the Scouting movement, and to philanthropy. John also enjoys spending time as a helicopter pilot.

Mr J G Taberner

John Taberner was for 20 years until 2008 a partner in the Sydney office of Herbert Smith Freehills, Solicitors. He is now a full-time Consultant there. 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 Ltd.

Zoë Black © Pierre Toussaint



The Investment Goals of the Fund

The Fund has been established to offer investors the opportunity to participate in the ownership of a bank of historical stringed instruments. The instruments which the Fund holds are of the kind which have a demonstrated history of increasing in value at consistent rates or which have the capacity to do so in future.

Each instrument is identified, assessed and verified by expert opinion before being considered for the Fund. Instrument purchases are subject to the negotiation of a price which the Trustee assesses to be appropriate after conducting due diligence on the instrument's provenance and the market value of comparable instruments.

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 will be responsible for insurance and maintenance of the Fund's instruments.

The Investment Objective

To achieve long-term capital gains from investing in specified high quality stringed instruments to be loaned to the ACO for use by its players. The Fund is not expected to generate income returns.

The Investment Strategy

The Trustee will acquire for the Fund, from local and international sources, specified high-quality 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.

Caroline Henbest © Pierre Toussaint



The Stradivarius 1728/1729 violin

In November 2011, the Fund acquired the Stradivarius 1728/1729 violin.

This instrument is a composite of two instruments made by Antonio Stradivari in 1728 and 1729. This is not unusual: in fact 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.

The violin has been tested in major concert halls across Australia. In acoustic tests across a wide variety of repertoires and styles, and in halls ranging from small and medium regional centres through to our greatest performance venues, it has consistently displayed 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.

In keeping with the established tradition of caring for fine instruments and ensuring that they are heard, this Stradivarius violin is being played by ACO Principal Violin Satu Vänskä.

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.

Satu Vänskä © Pierre Toussaint



Authenticity: the provenance and dealer of the instrument

The Stradivarius violin has been purchased, via the ACO, from J. & A. Beare and Co. of London (Beare's), the world's most distinguished international violin experts and dealers.

Established in 1892, Beare's counts the world's greatest string players as its clients. In 2008, it received the Queen's Award for Enterprise from Queen Elizabeth II, the only business in art or antiques ever to do so.

Beare's has an unblemished record of reliability and integrity.

“

The acknowledged world authority on stringed instruments. ”

The Independent (2003)

“

An extraordinary unsullied reputation. ”

The Daily Telegraph (1994)

Beare's certificate of authenticity for the Stradivarius 1728/29 instrument is attached.

The Fund will only purchase instruments whose authenticity is guaranteed by a reputable expert.

Performances Featuring the Stradivarius

During the 2012/13 year, the Stradivarius violin was featured in more than 100 prominent performances and recordings in Australia and abroad, including the following highlights:

- The world premiere of *The Reef* in the Darwin Festival and its subsequent national telecast on ABC TV
- Edinburgh Festival (broadcast live on BBC Radio 3)
- Niseko Winter Festival in Japan
- Hong Kong Arts Festival
- Memorial concert for Dame Elisabeth Murdoch at the Melbourne Recital Centre
- National tour with Barry Humphries

Its wonderful performance during such concerts continues to contribute greatly to the credibility of the instrument in its own right.

Comments from JBWere

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

JBWere believe 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.



1728/1729 Stradivarius violin

**John
& Arthur
Beare**

CERTIFICATE
OF AUTHENTICITY

Violin dealers, makers, repairers 50 Queen Anne Street, London W1G 8HX Established in 1892

CB/6067

28 October 2010

We Certify that the violin purchased from us by The Australian Chamber Orchestra, Opera Quays, 2 East Circular Quay, Sydney, NSW 2000, Australia, is, in our judgement, a fine old Italian instrument, the work of the celebrated Antonio Stradivari of Cremona, whose original label it bears. It dates from 1728-29.

Description The back in one piece of attractively figured maple with flames of medium width ascending from left to right; the sides of similar wood; the scroll a fine nineteenth century copy; the table, made by Stradivari at the same period but for another violin, in two pieces of spruce, mainly of medium grain, broadening towards the flanks; the varnish of an orange-brown colour on a lighter ground, retouched on the table.

This interesting Stradivari violin is a characteristic example of the maker's work, the back and sides particularly fine. It measures 35.5cm in length of body, with widths of 16.3cm and 20.3cm.

John and Arthur Beare



1728/1729 Stradivarius violin

AUSTRALIAN CHAMBER ORCHESTRA INSTRUMENT FUND

ABN 17 968 443 499

Annual report – 30 June 2013

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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

Directors' report

The directors of Australian Chamber Orchestra Instrument Fund Pty Limited (a controlled entity of Australian Chamber Orchestra Pty Ltd), the trustee of Australian Chamber Orchestra Instrument Fund, present their report together with the financial statements of Australian Chamber Orchestra Instrument Fund ("the Fund") for the year ended 30 June, 2013.

The Australian Financial Service Licence Holder ("AFSL Holder") of Australian Chamber Orchestra Instrument Fund is JBWere Pty Ltd (ABN 68 137 978 360, Level 16, 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 WD Best
- Ms J Block (leave of absence: 1 May, 2013 - 30 September, 2013)
- Mrs J Holmes à Court
- Mr JD Leece
- Mr JG Taberner
- Mr JG Taberner (as alternate director for Ms J Block: 1 May, 2013 - 30 September, 2013)

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 Ltd 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

During the year, the Fund continued to hold its investment in a Stradivarius 1728/29 violin and continued its search for future investments in accordance with the governing documents of the Fund and in accordance with the provisions of the Fund 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, 2013 of \$298,500 (2012 period: \$nil).

Distributions

Distributions paid and payable for the year ended 30 June, 2013 were \$nil (2012 period: \$nil).

Directors' report continued

Unit prices

Unit prices are shown as follows:

	30 June 2013	30 June 2012
Unit prices	\$1.15	\$1.00

It should be noted that redemptions will only be possible during periodic withdrawal windows (refer note 2e).

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:

	Year Ended	
	30 June 2013	30 June 2012
Net Assets for Unit Pricing Purposes	2,288,500	1,790,000
Difference between net market value (for unit pricing) and fair value (for financial statements) of assets held at fair value through profit and loss	154,494	-
Effect of classification of net assets attributable to unitholders as liabilities	<u>(2,442,994)</u>	<u>(1,790,000)</u>
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

No matter or circumstance has arisen since 30 June, 2013 that has significantly affected, or may significantly affect:

- I. the operations of the Fund in future financial years, or
- II. the results of those operations in future financial years, or
- 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 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 invests. 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.

Further information on likely development 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.

Directors' report continued

Indemnity and insurance of officers

No insurance premiums are paid for out of the assets of the Fund in regards 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 property to the Trustee or its associates during the year.

No fees were paid out of Fund property 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 9 to the financial statements.

Fees paid to the AFSL Holder

Fees paid to the AFSL holder in the year ended 30 June, 2013 were \$2,000 (2012 period: \$nil).

Interests in the Fund

The movement in units on issue in the Fund during the year is disclosed in note 4 to 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 2 to the financial statements.

Environmental regulation

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

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 16.

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



W D BEST
Director
Sydney
12 September 2013



Auditor's Independence Declaration

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2013 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.


STEVEN J MILLER & CO
Chartered Accountants


S J MILLER
Registered Company Auditor
No 4286

Sydney

Dated 28, 8, 13

Steven J Miller & Co
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www.stevenjmillers.com.au
ABN 23 690 541 177



Statement of comprehensive income

for the year ended 30 June 2013

	Year Ended	Period Ended
	30 June	30 June
	2013	2012
Note	\$	\$
Investment income		
Interest income	7,331	-
Net gains/(losses) on musical instruments held at fair value	<u>641,804</u>	<u>-</u>
Total net investment income/(loss)	<u>649,135</u>	<u>-</u>
Expenses		
Licence holder fees	(2,000)	-
Net gains/(losses) arising from difference in unit pricing and financial statement principles	<u>(154,494)</u>	<u>-</u>
Total operating expenses	<u>(156,494)</u>	<u>-</u>
Operating profit	<u>492,641</u>	<u>-</u>
Income tax expense	3 <u>(194,141)</u>	<u>-</u>
Net profit after income tax	<u>298,500</u>	<u>-</u>
Finance costs attributable to unitholders		
Distributions to unitholders	5 <u>-</u>	<u>-</u>
Changes in net assets attributable to unitholders (profit/(loss) for the year)	4 <u>298,500</u>	<u>-</u>
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income	<u>298,500</u>	<u>-</u>

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position

as at 30 June 2013

		30 June 2013	30 June 2012
	Note	\$	\$
Assets			
Cash and cash equivalents	6	204,894	-
Receivables		437	-
Musical Instruments	7	<u>2,431,804</u>	<u>1,790,000</u>
Total assets		2,637,135	1,790,000
Liabilities			
Current tax liability		1,599	-
Deferred tax liability	8	<u>192,542</u>	-
Total liabilities (excluding liability to unitholders)		<u>194,141</u>	-
Net assets attributable to unitholders	4	<u><u>2,442,994</u></u>	<u><u>1,790,000</u></u>
Liability to unitholders			
Fair value of outstanding units based on redemption value	4	2,288,500	1,790,000
Adjustments arising from different unit pricing and financial statement principles	11	<u>154,494</u>	-
Liability to unitholders		<u><u>2,442,994</u></u>	<u><u>1,790,000</u></u>

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

Statement of changes in equity

for the year ended 30 June 2013

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 period.

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 2013

		Year Ended 30 June 2013 \$	Period Ended 30 June 2012 \$
Cash flows from operating activities			
Interest received		6,894	-
Licence holder fees paid		<u>(2,000)</u>	<u>-</u>
Net cash inflow from operating activities		<u>4,894</u>	<u>-</u>
Cash flows from financing activities			
Proceeds from purchase of units by unitholders	4	200,000	2,540,000
Payment for redemptions by unitholders	4	-	(750,000)
Distributions paid from operating activities		<u>-</u>	<u>-</u>
Net cash inflow from financing activities		<u>200,000</u>	<u>1,790,000</u>
Cash flows from investing activities			
Purchase of musical instruments	7	<u>-</u>	<u>(1,790,000)</u>
Net cash (outflow) from investing activities		<u>-</u>	<u>(1,790,000)</u>
Net increase/(decrease) in cash and cash equivalents		<u>204,894</u>	<u>-</u>
Cash and cash equivalents at the beginning of the year/period		<u>-</u>	<u>-</u>
Cash and cash equivalents at the end of the year/period	5	<u>204,894</u>	<u>-</u>

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

Notes to the financial statements

for the year ended 30 June 2013

1. General information

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 terminate ten years from commencement on 14 July, 2021 unless greater than 50% of the unitholders (excluding Australian Chamber Orchestra Pty Limited) vote to extend the operation of the Fund.

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 Ltd ("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 Trust Deed. It aims to achieve this objective by investing in rare, historical, specified high quality stringed instruments.

The financial statements were authorised for issue by the directors of the Trustee on 30 August, 2013. The directors of the Trustee have the power to amend and reissue the financial statements.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

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*. 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) Early adoption of standards

The Fund has elected to apply *AASB 13 Fair Value Measurement* from July 2012, because the new accounting policy provides more reliable and relevant information for users to assess the financial performance and position of the Fund and the amounts, timing and uncertainty of future cash flows. In accordance with the transition provisions, comparative figures have been reviewed but no changes have been found as necessary. There have been no other changes to the Fund's financial statements as a consequence of the early adoption of the standard.

c) Musical Instruments

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

Changes in fair value are recorded in the profit or loss. Musical instruments are not depreciated.

Notes to the financial statements continued

d) 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, 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.

e) 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 first such withdrawal window to commence on 1 July, 2014.

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.

Because the Fund's redemption unit price is based on different valuation principles to those applied in the financial statements, a valuation difference exists, which has been treated as a separate component of net assets attributable to unitholders. Changes in the value of this financial liability are taken to profit or loss as they arise.

f) 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.

g) Interest income

Interest income is recognised in the statement of comprehensive income for all interest bearing instruments using the effective interest rate method.

h) 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 accruals basis.

Notes to the financial statements continued

i) 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 probably that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

	Year Ended 30 June 2013 \$	Period Ended 30 June 2012 \$
3. Income tax expense		
The components of income tax expense are:		
Current tax	1,599	-
Deferred tax	<u>192,542</u>	<u>-</u>
Income tax expense	<u>194,141</u>	<u>-</u>
Numerical reconciliation of income tax expense to prima facie tax payable:		
Operating profit before income tax expense	<u>492,641</u>	<u>-</u>
Prima facie tax payable on profit from ordinary activities before income tax at 30%	147,792	-
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
- Adjustments arising from different unit pricing and financial statement principles	46,349	-
Income tax attributable to the Fund	<u>194,141</u>	<u>-</u>

Notes to the financial statements continued

4. Net assets attributable to unitholders

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

	Year Ended		Period Ended	
	30 June 2013 \$	30 June 2013 Number	30 June 2012 \$	30 June 2012 Number
Opening balance	1,790,000	1,790,000	-	-
Applications	200,000	200,000	2,540,000	2,540,000
Redemptions	-	-	(750,000)	(750,000)
Increase/(decrease) in net assets attributable to unitholders	298,500	-	-	-
Fair value of outstanding units based on redemption value	2,288,500	1,990,000	1,790,000	1,790,000
Adjustments arising from difference in unit pricing and financial statement principles	154,494	-	-	-
Closing balance	2,442,994	1,990,000	1,790,000	1,790,000

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.

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.

Applications can be made at any time by wholesale clients. A unit in the Fund is an illiquid investment. The Trustee will provide periodic withdrawal opportunities under which a limited amount of units will be purchased by the Australian Chamber Orchestra Pty Limited on a pro rata basis from investors who wish to participate in the relevant withdrawal opportunity. The Trustee intends to provide these withdrawal opportunities every three years. The next opportunity will be 1 July, 2014.

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

5. Distributions to unitholders

There were no distributions paid or payable during the year ended 30 June, 2013 (2012 period: \$nil).

Notes to the financial statements continued

	Year Ended 30 June 2013	Period Ended 30 June 2012
	\$	\$

6. Cash and cash equivalents

Cash at bank	<u>204,894</u>	<u>-</u>
	<u>204,894</u>	<u>-</u>

7. Musical instruments

Stringed instruments

Fair value at 1 July	1,790,000	-
Acquisitions	-	1,790,000
Net gain/(loss) from fair value adjustment	<u>641,804</u>	<u>-</u>
Fair value at 30 June	<u>2,431,804</u>	<u>1,790,000</u>

Valuations basis

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

External valuations from *J & A Beare Ltd., London* are requested on at least a biennial basis and are based on active market prices, adjusted if necessary, for any difference in craftsmanship, age and/or condition of the instrument. 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.

J & A Beare Ltd., London provided a valuation of USD 2.3 million as at 30 June, 2013. The assessment of the fair value in 2012 was made by the directors of the Trustee.

The Information Memorandum requires the average exchange rate for the month of June to be used in determining the amount in Australian Dollars. The average exchange rate for the month of June, 2013 was 0.9354 (*Reserve Bank of Australia* historical exchange rates).

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 Ltd for specified hiring periods as agreed in writing.

Presently, the Stradavarius 1728/29 violin has been hired by the Australian Chamber Orchestra Pty Ltd until 14 July, 2021.

8. Deferred tax liability

Net gain/(loss) from musical instruments	<u>192,542</u>	<u>-</u>
	<u>192,542</u>	<u>-</u>

Notes to the financial statements continued

9. 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).

Key management personnel

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

- Mr WD Best
- Ms J Block (leave of absence: 1 May, 2013 - 30 September, 2013)
- Mrs J Holmes à Court
- Mr JD Leece
- Mr JG Taberner
- Mr JG Taberner (as alternate director for Ms J Block: 1 May, 2013 - 30 September, 2013)

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 held units in the Fund as follows:

2013 Unitholder	Units opening Number	Units acquired Number	Units disposed Number	Units closing Number	Fair value \$	Interest held %	Distributions paid \$
WD Best	50,000	-	-	50,000	57,500	2.51	-
JG Taberner	100,000	-	-	100,000	115,000	5.03	-
	150,000	-	-	150,000	172,500	7.54	-

2012 Unitholder	Units opening Number	Units acquired Number	Units disposed Number	Units closing Number	Fair value \$	Interest held %	Distributions paid \$
BMA Hopkins	-	50,000	-	50,000	50,000	2.79	-
WD Best	-	50,000	-	50,000	50,000	2.79	-
JG Taberner	-	100,000	-	100,000	100,000	5.59	-
	-	200,000	-	200,000	200,000	11.17	-

Notes to the financial statements continued

9. Related party transactions continued

Related party holdings

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

2013 Unitholder	Units opening Number	Units acquired Number	Units disposed Number	Units closing Number	Fair value \$	Interest held %	Distributions paid \$
Australian Chamber Orchestra Pty Limited	1,040,000	-	-	1,040,000	1,196,000	52.26	-
Wyargine Holdings Pty Ltd	200,000	-	-	200,000	230,000	10.05	-
James Superannuation Fund	50,000	-	-	50,000	57,500	2.51	-
	1,290,000	-	-	1,290,000	1,483,500	64.82	-

2012 Unitholder	Units opening Number	Units acquired Number	Units disposed Number	Units closing Number	Fair value \$	Interest held %	Distributions paid \$
Australian Chamber Orchestra Pty Limited	-	1,790,000	(750,000)	1,040,000	1,040,000	58.10	-
Wyargine Holdings Pty Ltd	-	200,000	-	200,000	200,000	11.17	-
James Superannuation Fund	-	50,000	-	50,000	50,000	2.79	-
	-	2,040,000	(750,000)	1,290,000	1,290,000	72.06	-

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. Costs reimbursed from the Fund to the Trustee during the year ended 30 June, 2013 were \$nil (2012 period: \$nil).

Australian Chamber Orchestra Pty Limited will provide 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 Australian Chamber Orchestra Pty Ltd have signed an Instrument Hire Agreement, whereby for a nominal fee the Australian Chamber Orchestra Pty Ltd can utilise the instruments held by the Fund. However, in consideration of the free 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 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. Fees recovered from the Fund during the year ended 30 June, 2013 were \$2,000 (2012 period: \$nil).

In the previous year, the Australian Chamber Orchestra Pty Ltd transferred a Stradivarius 1728/29 violin to the Fund for \$1,790,000 in exchange for units in the Fund. The consideration was the original cost paid by the Australian Chamber Orchestra Pty Ltd for the violin.

Notes to the financial statements continued

10. Investment risk

The Fund's investment objective is the achievement of long term capital gains from investing in 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.

11. Liquidity risk

The Fund's Trust Deed provides for limited periodic withdrawal windows every three years. The next withdrawal window will commence 1 July, 2014. The Australian Chamber Orchestra Pty Limited will purchase up to \$500,000 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 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. Therefore, there is some risk that the Fund will not be able to meet its financial obligations as they fall due.

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 disapprove a transferee of a unitholder's units in its absolute discretion.

An adjustment was made by the directors as at 30 June, 2013 to the unit price 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 an asset that is rarely traded.

	Year Ended 30 June 2013 \$	Per Unit 30 June 2013 \$	Period Ended 30 June 2012 \$	Per Unit 30 June 2012 \$
Adjustments arising from difference in unit pricing and financial statement principles	154,494	0.08	-	-

12. Events occurring after balance date

No matter or circumstance has arisen since 30 June, 2013 that has significantly affected, or may significantly affect the operations of the Fund in future financial periods, the results of those operations in future financial periods or the state of affairs of the Fund in future financial periods.

Directors' declaration

for the year ended 30 June 2013

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

- a. the financial statements and notes set out on pages 17 to 28 are in accordance with the *Corporations Act 2001*, including:
 - i. complying with the Accounting Standards - Reduced Disclosure Requirements, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
 - ii giving a true and fair view of the Fund's financial position as at 30 June, 2013 and of its performance for the financial year ended on that date, 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 11).

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



W D BEST

Director

Sydney

12 September 2013



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 2013 and the statement of comprehensive income, statement of changes in funds and statement of cash flows for the period 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) 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 2, 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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ABN 23 690 541 177



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 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 2013 and of its performance for the period ended on that date; and
- ii) Complying with Australian Accounting Standards – Reduced Disclosure Requirements (including Australian Accounting Interpretations) as described in Note 1 and the Corporations Regulations 2001.


STEVEN J MILLER & CO
Chartered Accountants


STEVEN MILLER
Registered Company Auditor
No 4286

Sydney

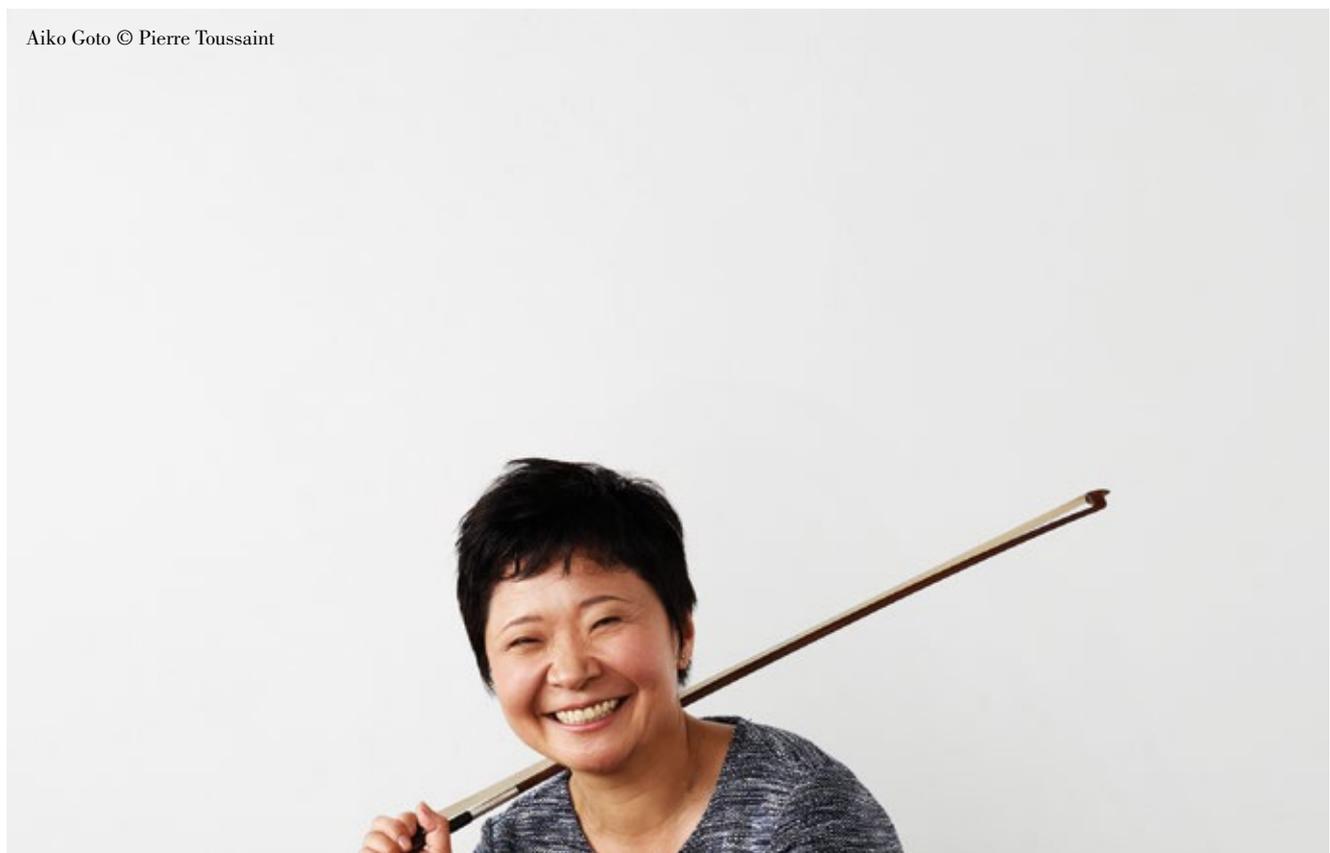
Dated 17, 9, 13

Anti-Money Laundering / Counter Terrorism Financing Compliance report from external independent auditor

Under the Anti-Money Laundering / Counter Terrorism Financing (AML/CTF) Act, reporting entities are required to report on their compliance with the provisions of the AML/CTF Act in each calendar year by 31st March of the following year. As an unregistered wholesale managed investment fund, the Fund is defined as a reporting entity for purposes of the AML/CTF Act.

In March 2013 an audit was conducted on the compliance of the Fund's administrator with the AML/CTF Act. The independent auditor's review concluded that Part A of the Fund's AML/CTF program in all "material" respects:

- is effective having regard to the MI/TF risks posed to the ACO Instrument 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 maintaining 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 meet regularly to perform their prescribed functions, including formal meetings held each two months as well as additional ad hoc meetings where required.

Each of the Board members is in regular contact with the ACO CEO and CFO/Company Secretary and the Investor Relations Manager. 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 Pty 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 Trust Deed and currently comprises five Board members, four 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 in the Director's Report section of the Annual Report.

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 Trustee is yet to implement a formal process for evaluating the performance of the Board and individual directors.

Principle 3: Promote ethical and responsible decision-making

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 financial 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 call upon the attendance of the ACO CEO 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 CEO 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: Disclose in timely and balanced manner

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 shareholders

The Fund has a policy of promoting effective communication with unit holders. The Fund actively complies with this policy by way of regular newsletters posted to unit holders, unit holder presentations and its annual report.

Principle 7: Recognise and manage risk

The Board of the Trustee 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 Standard AS/NZS ISO 31000:2009.

The area of risk considered under the risk policy include: Strategic and Market risk; Financial; Health & Safety; Reputational; Business Process & Systems; Property & Environmental and Legal & Regulatory Compliance risks. Financial risk management, including market risks, regulatory, business, counterparty, tax and foreign exchange risks, liquidity risk, as well as risk factors specific to the Fund including manager and key person risk, investment strategy risk and realisation of asset risk are each addressed in the Information Memorandum of the Company.

The Fund has also established a Complaints Handling Program, based upon the international standard (AS ISO 10002-2006).

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 Investor Relations Manager is set by the ACO CEO having regard to comparative salaries for equivalent positions.



Corporate Directory



AUSTRALIAN
CHAMBER
ORCHESTRA
INSTRUMENT
FUND

Australian Chamber Orchestra Instrument Fund

Patron: Peter Weiss AO

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