

AUSTRALIAN
CHAMBER
ORCHESTRA
INSTRUMENT
FUND

ANNUAL REPORT

2013-14

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Cover photograph: 1714 Joseph Guarneri filius Andreae violin.
This page: Maxime Bibeau

Chairman's Report

The highlight of the 2013/14 financial year has undoubtedly been the purchase of the Instrument Fund's second instrument – a 1714 violin by Joseph Guarneri filius Andreae, acquired in March for \$1,649,817. The instrument has been played by Rebecca Chan and Mark Ingwersen since its acquisition. Many of our investors and donors attended special events to showcase the new Guarneri. They were able to compare it to our first acquisition, the 1728/29 Stradivarius played by Satu Vänskä, and the 1743 Guarneri del Gesù played by Richard Tognetti, on loan from an anonymous benefactor. These were indeed extraordinary events.

At the date of acquisition, we held some \$200,000 of cash in the Fund and with this and the support of the ACO, we secured the new instrument. Since that time, we have been active in seeking additional investors and donors to support the purchase and I am pleased to say that at the time of writing we have secured a further \$500,000 of investment. The ACO has also received nearly \$280,000 of donations directed towards the Instrument Fund during the 2013/14 financial year. On behalf of the Instrument Fund Board, I would like to thank and welcome our new investors and donors.

Towards the end of the financial year, we sought an updated valuation of our two instruments. The Board, having considered a recommendation from the ACO, adjusted the valuation for an illiquidity discount, and arrived at a new unit price of \$1.20, an increase of 5 cents per unit over the year. This was the price at which the first withdrawal window opened and closed in July, during which time 50,000 units were tendered by investors and bought by the ACO.

During the year, Janet Holmes à Court AC resigned as a director and was replaced by Chris Froggatt. I would like to thank Janet for her wise counsel and particularly for her willingness to bridge the time gap between Perth and Sydney in participating in the Board's deliberations.

The ACO team, and in particular Catherine Davey, continued to provide us with wonderful administrative and marketing support during the year. Further, Pennie Loane recently joined us as our Investor Relations Manager.

I wish to acknowledge again the contribution of our AFSL holder, JBWere, and their team. Finally, I would like to thank my fellow directors Jessica Block, Chris Froggatt, John Leece and John Taberner.

As I look ahead to the remainder of the 2014/15 financial year, our goal is to continue to seek investors and/or donors so that we can return the seed funding provided by the ACO. This would allow us to contemplate the acquisition of a third instrument in the ensuing financial year.



Bill Best
Chairman
Australian Chamber Orchestra Instrument Fund



Richard Tognetti

ACO General Manager's Report

The Australian Chamber Orchestra is the proud custodian of the remarkable instruments of the Australian Chamber Orchestra Instrument Fund and benefits enormously from the access to great stringed instruments which the Fund provides to our musicians.

Great instruments such as the 1728/29 Stradivarius violin, which was the Fund's first acquisition, would be far out of the reach of performing musicians because of their immensely high value as objects of extreme rarity and beauty. The Fund makes it possible for Australia's finest string players to perform on instruments which inspire them to reach for greater heights of musical expression, further developing the unique sound of the ACO.

During 2013/14, following the successful launch of the Fund's first instrument, the Directors of the Fund asked the ACO to identify a second instrument to bring into the Fund. An international search took place and a superb 1714 Joseph Guarneri filius Andreae violin was proposed to the ACO by J & A Beare Ltd of London. The violin was made available to the ACO for several weeks to enable thorough testing to take place in a wide variety of venues and across an extensive range of repertoire. Most tellingly, the ACO's Artistic Director Richard Tognetti invited his colleagues, the Fund's Directors and some of us fortunate administrators to hear the 1714 Guarneri in a side-by-side test with the three other extraordinary violins which are played by ACO musicians – the 1743 Guarneri del Gesù, the Commonwealth Bank's 1759 Guarneri and the Fund's 1728/29 Stradivarius. The "new" instrument was put through its paces in the most august instrumental company imaginable, and stood up boldly, proudly and distinctively as a truly great violin from the Golden Era of Cremonese violin-making.

The Directors of the Fund accepted the ACO's recommendation to purchase the violin and ACO violinist Rebecca Chan was selected as the first custodian of the 1714 Guarneri for its debut performances in June 2014.

The launch of the Guarneri violin attracted enormous publicity and Rebecca introduced the instrument to audiences all over the country by adding an exquisite solo piece to the subscription concert program which the ACO toured nationally in June. The launch was followed by a series of



Satu Vänskä with the Fund's 1728/29 Stradivarius violin

private events for potential investors in which guests had the opportunity to hear the Guarneri side-by-side with the del Gesù and the Stradivarius in intimate settings and to quiz the musicians about the tonal qualities and unique personalities of these wonderful instruments.

The launch and subsequent private events have attracted a significant number of new investors and the ACO is confident that the second instrument will be fully subscribed within 12 – 18 months.

The two instruments which now comprise the Fund were played in a large number of very important concerts in major venues across Australia and internationally in 2013/14, including the Sydney Opera House, Melbourne's Hamer Hall, the Melbourne Recital Centre, the City Recital Hall, Angel Place, the Perth Concert Hall, Orchestra Hall, Chicago, the Banff Centre in Canada and New York's Le Poisson Rouge. They were also featured in a recording of Vivaldi's Concerto for Four Violins to be released on the BIS label later in 2014.

During 2013/14, the ACO provided the Directors of the Fund with a formal revaluation of the instruments in the Fund. This rigorous process involved consulting three leading international experts – Simon Morris of J & A Beare Ltd of London, Jason Price of Tarisio in New York and Peter Biddulph, an independent expert based in London who came to Australia to inspect all of the instruments which are presently in the ACO's custody. As a result of the ACO's research, the Directors of the Fund re-valued the Fund in May 2014.

The ACO is deeply grateful to the ACO Instrument Fund for bringing these extraordinary instruments to the musicians of the ACO, and to the Directors of the Fund for their commitment to this visionary concept and their energy and enthusiasm to promote the possibilities of this investment.



Timothy Calnin
General Manager
Australian Chamber Orchestra



Aiko Goto

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 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.

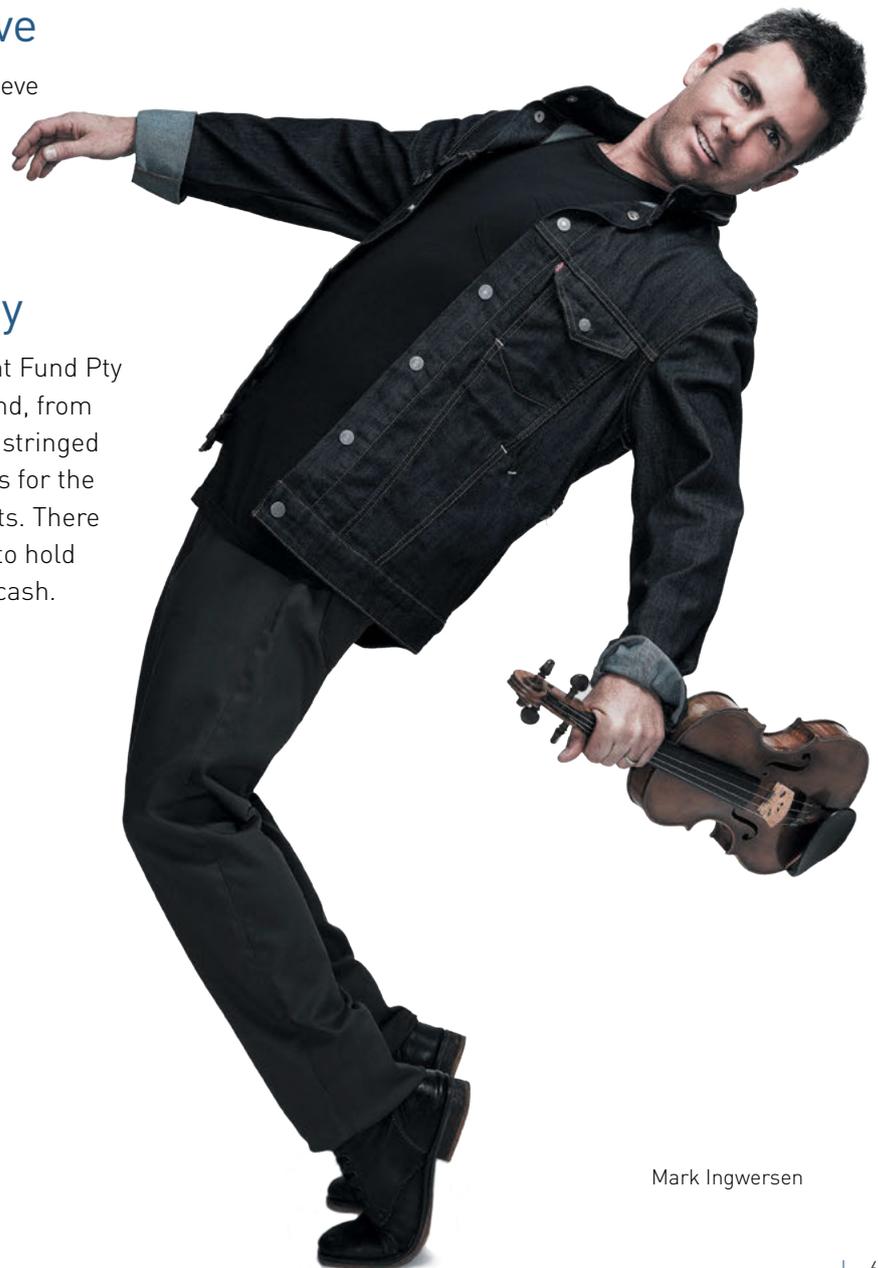
The Investment Strategy

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."



Mark Ingwersen

The 1714 Joseph Guarneri filius Andreæ violin

The Fund acquired its second violin in March 2014 – a beautiful instrument made in 1714 by Joseph Guarneri filius Andreæ of Cremona. It joins the 1728/29 Stradivarius violin acquired by the Fund in November 2011.

A 1937 certificate of authentication from W.E. Hill & Sons describes the Guarneri 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.”

In a later letter signed by Alfred Hill of W.E. Hill & Sons, he says: “... I consider the violin by Joseph Guarnerius filius Andreæ... a very interesting example of the maker’s work inasmuch as certain features – the head more especially so – clearly denote the participation therein of del Gesù, consequently the instrument may justly be regarded as their joint production... Its aspect is certainly picturesque, its construction, first-rate and the varnish, of the finest quality!”

Not only is the Guarneri 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 as “a good customer of ours... 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 Joseph Guarneri filius Andreæ

Joseph Guarneri filius Andreæ (1666-1740) had inherited his father’s Cremona shop, where he worked as an assistant, by 1698. The Guarneri workshop was just down the road from Antonio Stradivari’s shop and the two competed to produce the highest 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.



Rebecca Chan with the Fund's 1714 Joseph Guarneri filius Andreae violin

Provenance and Dealer

The 1714 Guarneri violin was purchased, via the ACO, from J & A Beare Ltd (Beare's) of London, distinguished international violin experts and dealers. The firm of John & Arthur Beare was founded in 1892 and is now widely regarded as the pre-eminent business in the field of fine antique stringed instruments with sales of over \$200 million between 2012 and 2013.

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 certificate of authenticity for the 1714 Joseph Guarneri filius Andreæ is shown below.



Directors of the ACO Instrument Fund

Australian Chamber Orchestra Instrument Fund Pty Ltd (the "Trustee") will act as the trustee for the Australian Chamber Orchestra Instrument Fund (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 (the "ACO").

The directors of the Trustee are: Bill Best (Chairman), Jessica Block, Chris Froggatt, John Leece and John Taberner. Bill Best, Chris Froggatt and John Taberner are directors of the ACO.

Information about the directors is set out below:

Mr W D Best

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, and LifeHealthcare, an ASX listed specialist distributor of high end medical devices. Bill has LLB, B.Comm and M.Comm degrees.

Ms J Block

Jessica Block is Deputy General Manager of the Australian Chamber Orchestra. 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, and has held senior management positions with the Bell Shakespeare Company and the Sydney Festival. Jessica has a degree in Arts/Law from the University of Sydney.

Ms C Froggatt

Chris Froggatt is a non-executive Director of Goodman Fielder Limited and of Myer Holdings Ltd. Prior to returning permanently to Australia in 2008, Chris served on the Boards of Britvic plc and Sports Direct International plc and as an independent Trustee Director of Berkeley Square Pension Trustee Company Limited, based in the UK. Chris has over 20 years' senior executive experience as a human resources specialist in leading international companies including Brambles Industries plc, Brambles Industries Limited, Whitbread Group plc, Diageo plc, Mars Inc. and Unilever NV. Chris has a broad industry background in consumer branded products, covering industries such as beverages, food and confectionary, and in retailing, hotels, leisure and logistics. She holds an Honours Degree in English from Leeds University in the UK.



Ilya Isakovich

Mr J D Leece AM

John Leece has been a Partner of Boroughs Chartered Accountants for more than 35 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 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 Medical Research Foundation; a Patron of the ACO and the Art Gallery of NSW. He recently initiated the International Defence and Security Dialogue. 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. He has also been recognised with the Order of Australia Medal for services to community through the Spirit of Australia South Pole expedition. John for a pastime is a helicopter pilot.

Mr J G Taberner

John Taberner was for the 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 ACO.



AUSTRALIAN CHAMBER ORCHESTRA INSTRUMENT FUND

ABN 17 968 443 499

Annual report – 30 June 2014

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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 2014.

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
- Ms C Froggatt (appointed 18 February 2014)
- Mrs J Holmes à Court (resigned 8 January 2014)
- Mr JD Leece
- Mr JG Taberner

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 purchased a rare Guarneri 1714 violin. It 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 \$162,534 (2013: \$298,500).

Distributions

Distributions paid and payable for the year ended 30 June 2014 were \$nil (2013: \$nil).

Directors' report continued

Unit prices

Unit prices are shown as follows:

	Year Ended	
	30 June 2014	30 June 2013
Unit prices	<u>\$1.20</u>	<u>\$1.15</u>

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	3,900,852	2,288,500
Effect of classification of net assets attributable to unitholders as liabilities	<u>(3,900,852)</u>	<u>(2,288,500)</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 2014 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 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.

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 12 to the financial statements.

Fees paid to the AFSL Holder

Fees paid to the AFSL holder in the year ended 30 June 2014 were \$1,000 (2013: \$2,000).

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 regulations

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 5.

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

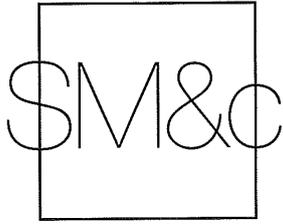


W D BEST

Director

Sydney

20 / 8 / 2014



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 2014 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 15, 8, 14

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Statement of comprehensive income

for the year ended 30 June 2014

	Year Ended 30 June 2014	Year Ended 30 June 2013
Note	\$	\$
Investment income		
Interest income	1,496	7,331
Net gains/(losses) on musical instruments held at fair value	<u>580,759</u>	<u>641,804</u>
Total net investment income/(loss)	<u>582,255</u>	<u>649,135</u>
Expenses		
Licence holder fees	(1,000)	(2,000)
Provision for liquidity risk	<u>(244,344)</u>	<u>(154,494)</u>
Total operating expenses	<u>(245,344)</u>	<u>(156,494)</u>
Operating profit	<u>336,911</u>	<u>492,641</u>
Income tax expense	3 <u>(174,377)</u>	<u>(194,141)</u>
Net profit after income tax	<u>162,534</u>	<u>298,500</u>
Finance costs attributable to unitholders		
Distributions to unitholders	5 <u>-</u>	<u>-</u>
Changes in net assets attributable to unitholders	4 <u>162,534</u>	<u>298,500</u>
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income	<u><u>162,534</u></u>	<u><u>298,500</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 2014

		Year Ended 30 June 2014	Year Ended 30 June 2013
	Note	\$	\$
Assets			
Cash and cash equivalents	6	3,995	204,894
Receivables	7	785	437
Deferred tax benefit	8	300	-
Musical Instruments	9	<u>4,662,380</u>	<u>2,431,804</u>
Total assets		4,667,460	2,637,135
Liabilities			
Payables	10	1,000	1,599
Deferred tax liability	11	366,770	192,542
Provision for liquidity risk	14	<u>398,838</u>	<u>154,494</u>
Total liabilities (excluding liability to unitholders)		<u>766,608</u>	<u>348,635</u>
Net assets attributable to unitholders	4	<u><u>3,900,852</u></u>	<u><u>2,288,500</u></u>
Liability to unitholders			
Fair value of outstanding units	4	<u>3,900,852</u>	<u>2,288,500</u>
Liability to unitholders		<u><u>3,900,852</u></u>	<u><u>2,288,500</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 2014

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 2014

		Year Ended 30 June 2014	Year Ended 30 June 2013
	Note	\$	\$
Cash flows from operating activities			
Interest received		1,933	6,894
Licence holder fees paid		-	(2,000)
Income tax paid		<u>(2,833)</u>	<u>-</u>
Net cash inflow from operating activities		<u>(900)</u>	<u>4,894</u>
Cash flows from financing activities			
Proceeds from purchase of units by unitholders	4& 9(a)	157,499	200,000
Payment for redemptions by unitholders	4	<u>(157,499)</u>	<u>-</u>
Net cash inflow from financing activities		<u>-</u>	<u>200,000</u>
Cash flows from investing activities			
Purchase of musical instruments	9(a)	<u>(199,999)</u>	<u>-</u>
Net cash (outflow) from investing activities		<u>(199,999)</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents		<u>(200,899)</u>	<u>204,894</u>
Cash and cash equivalents at the beginning of the year		<u>204,894</u>	<u>-</u>
Cash and cash equivalents at the end of the year	5	<u><u>3,995</u></u>	<u><u>204,894</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 2014

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 4 August 2014. The directors of the Trustee have the power to amend and reissue the financial statements.

2. Summary of significant accounting policies

The significant 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 reputable valuers such as *J & A Beare Ltd., London* and *Peter Biddulph 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 commences 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.

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 2014 \$	Year Ended 30 June 2013 \$
3. Income tax expense		
The components of income tax expense are:		
Current tax	149	1,599
Deferred tax	<u>174,228</u>	<u>192,542</u>
Income tax expense	<u>174,377</u>	<u>194,141</u>
Numerical reconciliation of income tax expense to prima facie tax payable:		
Operating profit before income tax expense	<u>336,911</u>	<u>492,641</u>
Prima facie tax payable on profit from ordinary activities before income tax at 30%	101,073	147,792
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Provision for liquidity risk	<u>73,304</u>	<u>46,349</u>
Income tax attributable to the Fund	<u>174,377</u>	<u>194,141</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 year were as follows:

	Year Ended		Year Ended	
	30 June 2014 \$	30 June 2014 Number	30 June 2013 \$	30 June 2013 Number
Opening balance at 1 July	2,288,500	1,990,000	1,790,000	1,790,000
Applications	1,607,317	1,397,667	200,000	200,000
Redemptions	(157,499)	(136,956)	-	-
Increase in net assets attributable to unitholders	162,534	-	298,500	-
Closing balance at 30 June	3,900,852	3,250,711	2,288,500	1,990,000

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 2014 (2013: \$nil).

Notes to the financial statements continued

	Year Ended 30 June 2014	Year Ended 30 June 2013
Note	\$	\$
6. Cash and cash equivalents		
Cash at bank	<u>3,995</u>	<u>204,894</u>
	<u><u>3,995</u></u>	<u><u>204,894</u></u>
7. Receivables		
Interest receivable	-	437
Tax receivable	<u>785</u>	<u>-</u>
	<u><u>785</u></u>	<u><u>437</u></u>
8. Deferred tax benefit		
Deferred tax benefit	<u>300</u>	<u>-</u>
	<u><u>300</u></u>	<u><u>-</u></u>
9. Musical instruments		
Stringed instruments		
Fair value at 1 July	2,431,804	1,790,000
Acquisitions	9(a) 1,649,817	-
Net gain from fair value adjustment	<u>580,759</u>	<u>641,804</u>
Fair value at 30 June	<u><u>4,662,380</u></u>	<u><u>2,431,804</u></u>

9(a). Acquisitions

On 12 March 2014 the Fund purchased a rare *Guarneri 1714 violin* for \$1,649,817. *The Guarneri 1714 violin* was purchased from the Australian Chamber Orchestra Pty Ltd in exchange for 1,260,711 units valued at \$1.15 in the Fund and cash of \$199,999.

Notes to the financial statements continued

9. Musical instruments continued

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 reputable valuers 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.

On 8 April 2014, the Fund was provided with insurance valuations for both the Stradivarius 1728/29 violin and the Guarneri 1714 violin by *Peter Biddulph Ltd., London*. *J&A Beare Ltd., London* provided a market valuation for the Stradivarius 1728/29 violin in June 2013. In April 2014, *Tarisio, New York* provided a large amount of then current sales data for instruments of similar qualities. This valuation data was provided in US dollars.

The directors of the Trustee made the assessment of the fair value of both instruments on the basis of the information from the three reputable valuers with the guidance of the *Australian Chamber Orchestra Pty Ltd*. The valuation date was 15 May 2014.

The Information Memorandum requires the average exchange rate for the month immediately preceding the valuation date to be used in determining the amount in Australian Dollars. The average exchange rate for the month immediately preceding the valuation date in May 2014 was 0.9333 (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.

The *Stradivarius 1728/29 violin* and the *Guarneri 1714 violin* have and will continue to be hired by the Australian Chamber Orchestra Pty Ltd until 14 July 2021.

	Year Ended 30 June 2014 \$	Year Ended 30 June 2013 \$
10. Payables		
Accrued expenses	1,000	-
Current tax liability	-	1,599
	<u>1,000</u>	<u>1,599</u>
11. Deferred tax liability		
Net gain from musical instruments	<u>366,770</u>	<u>192,542</u>
	<u>366,770</u>	<u>192,542</u>

Notes to the financial statements continued

12. 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 year as follows:

- Mr WD Best
- Ms J Block
- Ms C Froggatt (appointed 18 February 2014)
- Mrs J Holmes à Court (resigned 8 January 2014)
- Mr JD Leece
- Mr JG 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.

During the year, Mr JG Taberner donated 100,000 units to the Australian Chamber Orchestra Pty Ltd.

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

2014 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	-	100,000	120,000	3.08	-
JG Taberner	100,000	-	100,000	-	-	0.00	-
	150,000	50,000	100,000	100,000	120,000	3.08	-

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	-

Notes to the financial statements continued

12. Related party transactions continued

Related party holdings

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

2014 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	1,360,711	136,956	2,263,755	2,716,506	69.64	-
Wyargine Holdings Pty Ltd	200,000	-	-	200,000	240,000	6.15	-
James Superannuation Fund	50,000	-	-	50,000	60,000	1.54	-
	1,290,000	1,360,711	136,956	2,513,755	3,016,506	77.33	-

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	-

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 2014 were \$nil (2013: \$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 2014 were \$1,000 (2013: \$2,000).

On 12 March 2014, the Australian Chamber Orchestra Pty Ltd transferred a *Guarneri 1714 violin* to the Fund for \$1,649,817 in exchange for 1,260,711 units in the Fund and \$199,999 cash. The consideration was the original cost paid by the Australian Chamber Orchestra Pty Ltd for the violin when it bought it in November 2013.

Notes to the financial statements continued

13. 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.

14. Liquidity risk

The Fund's Trust Deed provides for limited periodic withdrawal windows every three years. The next withdrawal window commences on 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.

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 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 assets that are rarely traded and not easily or quickly realised.

	Year Ended 30 June 2014 \$	Per Unit 30 June 2014 \$	Year Ended 30 June 2013 \$	Per Unit 30 June 2013 \$
Provision for liquidity risk	<u>398,838</u>	<u>0.12</u>	<u>154,494</u>	<u>0.08</u>

15. Events occurring after balance date

No matter or circumstance has arisen since 30 June 2014 that has significantly affected, or may significantly affect the operations of the Fund in future financial years, the results of those operations in future financial years or the state of affairs of the Fund in future financial years.

Directors' declaration

for the year ended 30 June 2014

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 6 to 18 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 2014 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 14).

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

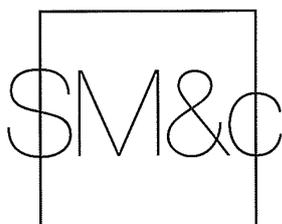


W D BEST

Director

Sydney

20 / 8 / 2014



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 2014 and the statement of comprehensive income, statement of changes in equity 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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Liability limited
by a Scheme,
approved under
the Professional
Standards
Legislation

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 2014 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

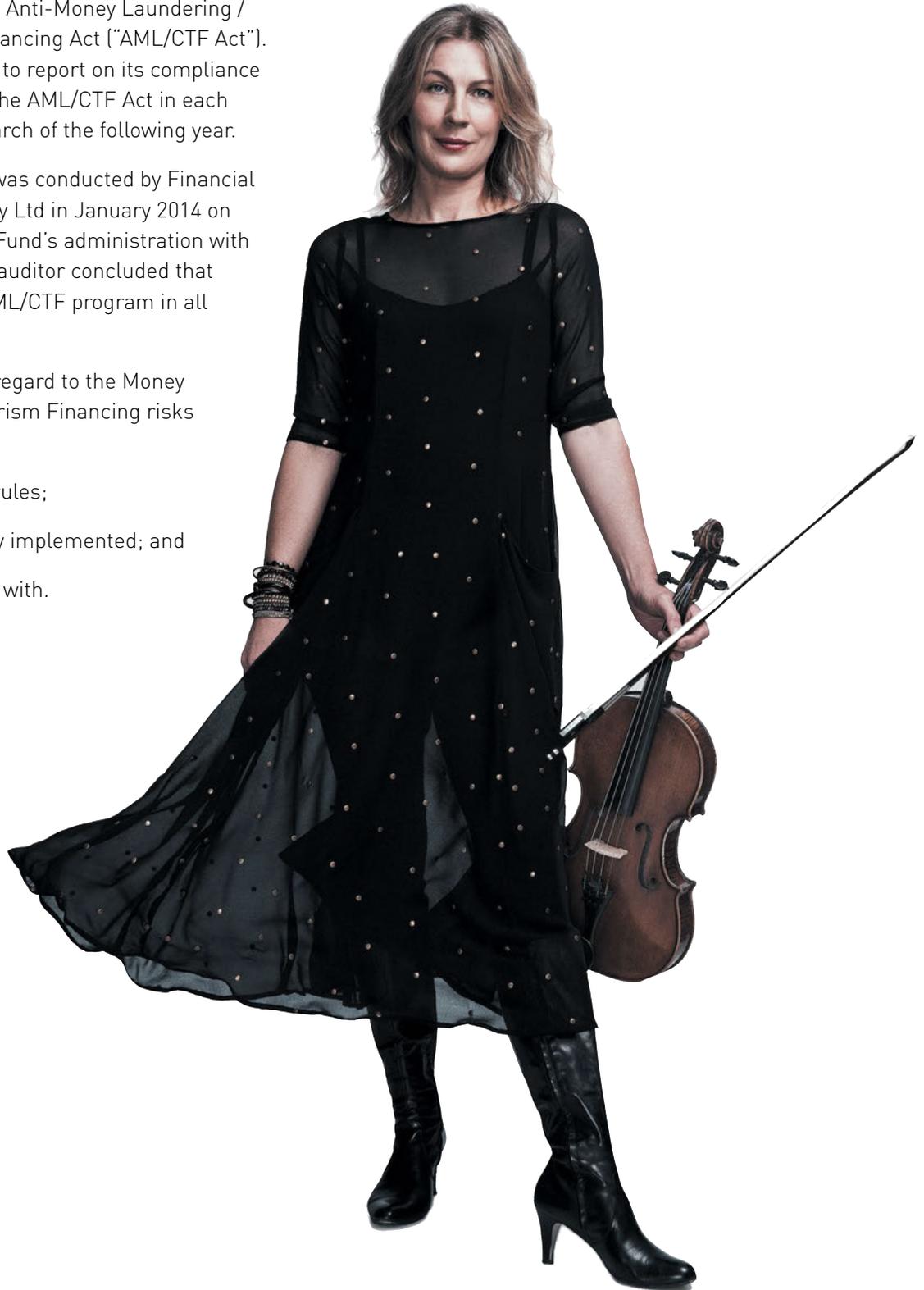
Dated 26, 8, 14

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 ("AML/CTF 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 2014 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 Money Laundering / Terrorism Financing 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 unitholder 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 unitholders 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 ("the 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 General Manager, Chief Financial Officer ("CFO") / Company Secretary and the Investor



Helena Rathbone

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 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 unitholders 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 Directors of the ACO Instrument Fund section of this 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 Trust 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 make call upon the attendance of the ACO General Manager 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 General Manager 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.



Alexandru-Mihai Bota

Principle 6: Respect the rights of shareholders

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, unitholder 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; 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, 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 Risk 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 General Manager having regard to comparative salaries for equivalent positions within the industry in which it operates.



Christopher Moore

Corporate Directory

Peter Weiss AO

Patron, ACO Instrument Fund

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Julian Thompson



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All ACO musician photography by Gary Heery
Cover and back page photography by Jack Saltmiras
Left: 1714 Joseph Guarneri filius Andreae violin.