

AUSTRALIAN CHAMBER ORCHESTRA



INSTRUMENT  
FUND

ANNUAL REPORT

2014-2015





Maxime Bibeau

# CONTENTS

ACO Instrument Fund Chairman's Report	02
ACO General Manager's Report	04
Instrument Fund Overview	05
Assets of the Fund	07
Directors of the Fund	10
Financial Statements	12
Independent Audit Report	32
Anti-Money Laundering / Counter-Terrorism Financing Report	34
Corporate Governance Statement	35
Corporate Directory	39

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

# ACO INSTRUMENT FUND CHAIRMAN'S REPORT

The financial year 2014/15 was one of consolidation, characterised by pleasing growth in our investor base. Units are now held by some 28 investors in the Fund other than the Australian Chamber Orchestra. Our investors include individuals, companies, family trusts, SMSFs and Private Ancillary Funds (PAFs).

Once again, many of our investors and donors attended special events during the year to showcase the instruments of the Fund – the 1728/29 Stradivarius violin played by Principal Violin Satu Vänskä and the 1714 Joseph Guarneri filius Andreae violin played by Violinist Mark Ingwersen. These events included an interesting panel discussion co-hosted by Social Ventures Australia and Australian Philanthropic Services, and Open Rehearsals at the ACO Studio where guests have the opportunity to get “up close and personal” with the Orchestra while it is preparing for performances.

During the year, we secured over \$1 million of new investment and the ACO received almost \$120,000 of donations directed towards the Instrument Fund. On behalf of the Instrument Fund Board, I would like to thank and welcome our new investors and donors.

Meanwhile, given the significant change in the AUD/USD exchange rate since the Formal Valuation which took place on 15 May 2014, the Board decided early in 2015 to undertake an Informal Valuation (as described in the Information Memorandum). An Informal Valuation reflects the most recent Formal Valuation, the relevant exchange rate and certain adjustments for deferred tax and liquidity. Taking into account all the relevant factors associated with carrying out the Informal Valuation, the Board set a new unit price of \$1.40 at its February meeting. This compares with a unit price of \$1.20 at the end of the 2013/14 financial year, and with a unit price of \$1.00 at the Fund's launch in 2011.

The very pleasing momentum which has been developing around the Fund has given comfort to the Board regarding its intention to seek out a third instrument. At the time of writing, musicians from the ACO are out and about identifying possible candidates for acquisition. There will of course be a period of

extensive due diligence before any purchase but the Board hopes there may be an acquisition before the end of the next financial year.

The ACO team – Investor Relations Manager Pennie Loane, CFO Maria Pastroudis, and AML/CTF Compliance Officer Steve Davidson – continue to provide the Fund with wonderful support. I also wish to acknowledge the contribution of our Australian Financial Services Licence holder, JBWere Ltd, and its team. Finally, I would like to thank my fellow directors Jessica Block, John Leece, John Taberner and Chris Froggatt whom we farewell following her retirement from the Board in September 2015. In her place, we welcome Andrew Stevens who is also a Director of Australian Chamber Orchestra Pty Ltd.



**Bill Best**

Chairman

Australian Chamber Orchestra Instrument Fund



Richard Tognetti

# ACO GENERAL MANAGER'S REPORT

The Australian Chamber Orchestra has continued to benefit over the last 12 months from having access to the great stringed instruments the Fund provides to our musicians. Instruments such as the 1728/29 Stradivarius violin and the 1714 Joseph Guarneri filius Andreæ violin, together with the other extraordinary instruments on loan to the Orchestra, help us attract and retain musicians of the highest calibre.

As well as attracting a new circle of supporters for the ACO through its network of investors, since its inception in 2011 the Instrument Fund has inspired several private individuals to follow the example of the Fund by purchasing great instruments in their own right as an investment, and making them available to musicians of the Australian Chamber Orchestra. In 2012, the Fund inspired the purchase of the 1585 Gasparo da Salo double bass which is now on loan to ACO Principal Bass Maxime Bibeau and in 2014 the same benefactor purchased the 1610 Maggini viola which is played by ACO Principal Viola Christopher Moore.

In turn, our audiences have been thrilled with the energy and creativity which stems from the musicians' desire to explore the instruments' boundless possibilities. Such enjoyment was perfectly captured by Peter McCallum from the Sydney Morning Herald who wrote of this year's Egarr & the Golden Age concert "Satu Vänskä played Bach's Concerto for Violin in A minor, BWV 1041 with lightness that focused on the sweetness of sound, using vibrato and expressiveness in the slow movement with self-denying restraint."

The instruments have also inspired creativity in composers. We look forward in 2016 to the world premiere of Elena Kats-Chernin's *Miniatures for Strings*. Her piece embraces a host of influences, each with its own infectious personality and compelling story, and all composed especially for the great musicians and their particular instruments, including the Fund's 1728/29 Stradivarius.

These examples of inspiration demonstrate the unexpected, unquantifiable impact that access to fine instruments has had on the orchestra. The ACO remains 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. They have used

their energy and enthusiasm to promote the possibilities of this investment to great effect.

It is therefore with some regret that I have announced my departure from the ACO after five and a half years at the helm. Development of the Instrument Fund is a project I am immensely proud to have overseen in my time as General Manager. As a die-hard lover of ACO's unique brand of music-making, I look forward to being an audience member at future concerts, and feel confident that the Fund will continue to flourish, providing innumerable benefits to the ACO community.



**Timothy Calnin**  
General Manager  
Australian Chamber Orchestra

# INSTRUMENT FUND OVERVIEW



Mark Ingwersen with the Fund's 1714 Joseph Guarneri filius Andreae violin

The Australian Chamber Orchestra Instrument Fund (the “Fund”) was established to offer investors the opportunity to participate in ownership of a bank of historic 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.”



Timo-Veikko Valve

# ASSETS OF THE FUND

## THE 1728/29 STRADIVARIUS VIOLIN

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



## 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. The Fund's 1714 Guarneri violin is played by Violinist Mark Ingwersen.

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."

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 high quality instruments. Guarneri showed great originality in his designs, and expert craftsmanship. His outline tended to be narrow waisted, the f-holes low and elegant, and he used a rich varnish, often described as deep orange-red in colour.

Guarneri's sons Pietro Guarneri and Giuseppe Guarneri 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.





Liisa Pallandi

# DIRECTORS OF THE 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 during 2014/2015 were: Bill Best (Chairman), Jessica Block, Chris Froggatt, John Leece and John Taberner. Bill Best, Chris Froggatt and John Taberner were also directors of the ACO. Chris Froggatt retired from the Board in September 2015 and was replaced by Andrew Stevens who is also a director of the ACO. Information about the directors is set out below:

## MR W D BEST

(Appointed December 2010)

Bill Best is currently a consultant to Lane 9 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. He is also a Director of the Australian Chamber Orchestra Pty Limited.

## MS J BLOCK

(Appointed December 2010)

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

(Appointed February 2014, retired September 2015)

Chris Froggatt is a non-executive Director of Myer Holdings Ltd and was formerly a non-executive Director of Goldman Fielder Limited. 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. Chris was also a Director of the Australian Chamber Orchestra Pty Limited.



Alexandru-Mihai Bota

## MR J D LEECE AM

(Appointed December 2010)

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 is the initiator of the International Defence and Security Dialogues which are held biennially. 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. For relaxation and fun, John flies helicopters.

## MR A C STEVENS

(Appointed September 2015)

Andrew Stevens is a Fellow Chartered Accountant and was formerly the Managing Director of IBM Australia and New Zealand. Andrew is the Chairman of the Advanced Manufacturing Growth Centre, and a Director of both MYOB Group and Thorn Group. He is also a member of the Committee for the Economic Development of Australia (CEDA) and the Greater Western Sydney GIANTS. He is an Honorary member of the Business Council of Australia, a member of the Business Advisory Executive of UNSW Business at the University of New South Wales, a member of the Chief of the Defence Force's Gender Equality Advisory Board, and is a member of the Sex Discrimination Commissioner's Male Champions of Change group. Andrew graduated from the University of New South Wales with a Bachelor of Commerce, majoring in Accounting, Finance and Systems and Master of Commerce, majoring in Marketing. He is also a director of the Australian Chamber Orchestra Pty Limited.

## MR J G TABERNER

(Appointed December 2010)

John Taberner was for the 20 years until 2008 a partner in the Sydney office of Herbert Smith Freehills, Solicitors. He is now a 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 Limited.



Nicole Divall

# AUSTRALIAN CHAMBER ORCHESTRA INSTRUMENT FUND

ABN 17 968 443 499

Annual report – 30 June 2015

<b>Contents</b>	<b>Page</b>
Directors' report	13
Auditor's independence declaration	17
Statement of profit or loss and other comprehensive income	18
Statement of financial position	19
Statement of changes in equity	20
Statement of cash flows	21
Notes to the financial statements	22
Directors' declaration	31
Independent audit report to the unitholders of Australian Chamber Orchestra Instrument Fund	32

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 2015.

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 (retired 2 September 2015)
- Mr JD Leece
- Mr JG Taberner
- Mr AC Stevens (appointed 2 September 2015)

Information about the directors is set out below:

### Mr W D Best

Bill Best is currently a consultant to Lane 9 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. He is also a Director of the Australian Chamber Orchestra Pty Limited.

### 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

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### 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 is the initiator of the International Defence and Security Dialogues which are held biennially. 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. For relaxation and fun, John flies helicopters.

## **Directors' report continued**

### **Mr J G Taberner**

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### **Mr AC Stevens**

Andrew Stevens was formerly the Managing Director of IBM Australia and New Zealand. Andrew is the Chairman of the Advanced Manufacturing Growth Centre, and a Director of both the Committee for the Economic Development of Australia (CEDA) and the Greater Western Sydney GIANTS. He is an Honorary member of the Business Council of Australia, a member of the Business Advisory Executive of UNSW Business at the University of New South Wales, a member of the Chief of the Defence Force's Gender Equality Advisory Board, and is a member of the Sex Discrimination Commissioner's Male Champions of Change group. Andrew graduated from the University of New South Wales with a Bachelor of Commerce, majoring in Accounting, Finance and Systems and a Master of Commerce majoring in Marketing. He is also a Director of the Australian Chamber Orchestra Pty Limited.

### **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 did not invest in any new instruments and continued to hold its investment in a Stradivarius 1728/29 violin and 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 2015 of \$650,142 (2014: \$162,534).

### **Distributions**

Distributions paid and payable for the year ended 30 June 2015 were \$nil (2014: \$nil).

**Directors' report** continued

**Unit prices**

Unit prices are shown as follows:

	Year Ended	
	30 June 2015	30 June 2014
Unit prices	<u>\$1.40</u>	<u>\$1.20</u>

It should be noted that redemptions will only be possible during periodic withdrawal windows (refer note 3e).

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 2015	30 June 2014
Net Assets for Unit Pricing Purposes	4,550,994	3,900,852
Effect of classification of net assets attributable to unitholders as liabilities	<u>(4,550,994)</u>	<u>(3,900,852)</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 2015 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 regard to insurance cover provided to either the officers of Australian Chamber Orchestra Instrument Fund Pty Limited or the auditors of the Fund.

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

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

**Indemnity of auditors**

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

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

No fees were paid out of Fund 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 13 to the financial statements.

**Fees paid to the AFSL Holder**

Fees paid to the AFSL holder in the year ended 30 June 2015 were \$9,100 (2014: \$1,000).

**Interests in the Fund**

The movement in units on issue in the Fund during the year is disclosed in note 5 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 3 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.

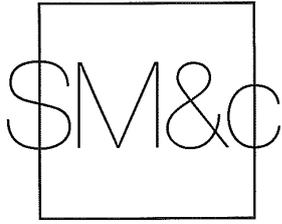
**Auditor's independence declaration**

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 17.

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



**W D BEST**  
Director  
Sydney  
28 September 2015



# 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 2015 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 30, 9, 15

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www.stevenjmilller.com.au  
ABN 23 690 541 177



Liability limited  
by a Scheme,  
approved under  
the Professional  
Standards  
Legislation

## Statement of profit or loss and other comprehensive income

for the year ended 30 June 2015

	Year Ended 30 June 2015	Year Ended 30 June 2014
Note	\$	\$
<b>Investment income</b>		
Interest income	-	1,496
Net gains on musical instruments held at fair value	<u>1,001,683</u>	<u>580,759</u>
<b>Total net investment income/(loss)</b>	<u>1,001,683</u>	<u>582,255</u>
<b>Expenses</b>		
Licence holder fees	(9,100)	(1,000)
Provision for liquidity risk	<u>(44,666)</u>	<u>(244,344)</u>
<b>Total operating expenses</b>	<u>(53,766)</u>	<u>(245,344)</u>
<b>Operating profit</b>	<u>947,917</u>	<u>336,911</u>
<b>Income tax expense</b>	4 <u>(297,775)</u>	<u>(174,377)</u>
<b>Net profit after income tax</b>	<u>650,142</u>	<u>162,534</u>
<b>Finance costs attributable to unitholders</b>		
Distributions to unitholders	6 <u>-</u>	<u>-</u>
<b>Changes in net assets attributable to unitholders</b>	5 <u>650,142</u>	<u>162,534</u>
Other comprehensive income	<u>-</u>	<u>-</u>
<b>Total comprehensive income</b>	<u><u>650,142</u></u>	<u><u>162,534</u></u>

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

## Statement of financial position

as at 30 June 2015

		30 June 2015	30 June 2014
	Note	\$	\$
<b>Assets</b>			
Cash and cash equivalents	7	2,180	3,995
Receivables	8	-	785
Deferred tax benefit	9	2,730	300
Musical Instruments	10	<u>5,664,063</u>	<u>4,662,380</u>
<b>Total assets</b>		<b>5,668,973</b>	<b>4,667,460</b>
<b>Liabilities</b>			
Payables	11	7,501	1,000
Deferred tax liability	12	667,274	366,770
Provision for liquidity risk	15	<u>443,204</u>	<u>398,838</u>
<b>Total liabilities (excluding liability to unitholders)</b>		<b><u>1,117,979</u></b>	<b><u>766,608</u></b>
<b>Net assets attributable to unitholders</b>	5	<b><u>4,550,994</u></b>	<b><u>3,900,852</u></b>
<b>Liability to unitholders</b>			
Fair value of outstanding units	5	<u>4,550,994</u>	<u>3,900,852</u>
<b>Liability to unitholders</b>		<b><u>4,550,994</u></b>	<b><u>3,900,852</u></b>

*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 2015

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 2015

		Year Ended 30 June 2015 \$	Year Ended 30 June 2014 \$
<b>Cash flows from operating activities</b>			
Interest received		-	1,933
Licence holder fees paid		(2,600)	-
Income tax refund /(paid)		785	(2,833)
<b>Net cash outflow from operating activities</b>		<u>(1,815)</u>	<u>(900)</u>
<b>Cash flows from financing activities</b>			
Proceeds from purchase of units by unitholders		871,191	157,499
Payment for redemptions by unitholders		(871,191)	(157,499)
<b>Net cash inflow from financing activities</b>		<u>-</u>	<u>-</u>
<b>Cash flows from investing activities</b>			
Purchase of musical instruments	10(a)	<u>-</u>	<u>(199,999)</u>
<b>Net cash (outflow) from investing activities</b>		<u>-</u>	<u>(199,999)</u>
<b>Net (decrease) in cash and cash equivalents</b>		<u>(1,815)</u>	<u>(200,899)</u>
Cash and cash equivalents at the beginning of the year		<u>3,995</u>	<u>204,894</u>
<b>Cash and cash equivalents at the end of the year</b>	7	<u><u>2,180</u></u>	<u><u>3,995</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 2015

### 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 28 September 2015. The directors of the Trustee have the power to amend and reissue the financial statements.

### 2. Changes in accounting policies

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

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

A number of new and revised standards became effective for annual periods beginning on or after 1 January 2014. Information on these new standards is presented below.

AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities

AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets

AASB 2013-5 Amendments to Australian Accounting Standards – Investment Entities

AASB 2014-1 Amendments to Australian Accounting Standards (Part A: Annual Improvements 2010–2012 and 2011–2013 Cycles)

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

### 3. Summary of significant accounting policies

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

#### a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. 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.

## Notes to the financial statements continued

### 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 profit or loss. Musical instruments are not depreciated.

### 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 next withdrawal window commences 1 July 2017.

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 2015 \$	Year Ended 30 June 2014 \$
<b>4. Income tax expense(benefit)</b>		
<b>The components of income tax expense/(benefit) are:</b>		
Current tax (benefit) / expense	(2,730)	149
Deferred tax	<u>300,505</u>	<u>174,228</u>
<b>Income tax expense</b>	<u><u>297,775</u></u>	<u><u>174,377</u></u>
<b>Numerical reconciliation of income tax expense to prima facie tax payable:</b>		
Operating profit before income tax expense	<u>947,917</u>	<u>336,911</u>
Prima facie tax payable on profit from ordinary activities before income tax at 30%	284,375	101,073
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Provision for liquidity risk	<u>13,400</u>	<u>73,304</u>
<b>Income tax attributable to the Fund</b>	<u><u>297,775</u></u>	<u><u>174,377</u></u>

## Notes to the financial statements continued

### 5. 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 2015 \$	30 June 2015 Number	30 June 2014 \$	30 June 2014 Number
Opening balance at 1 July	3,900,852	3,250,711	2,288,500	1,990,000
Applications	1,492,316	1,218,597	1,607,317	1,397,667
Redemptions	(1,492,316)	(1,218,597)	(157,499)	(136,956)
Increase in net assets attributable to unitholders	650,142	-	162,534	-
<b>Closing balance at 30 June</b>	<b>4,550,994</b>	<b>3,250,711</b>	<b>3,900,852</b>	<b>3,250,711</b>

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.

Given the significant change in the AUD/USD exchange rate since the Formal Valuation on 15 May 2014 (see Note 10), the Board decided to undertake an Informal Valuation on 11 February 2015. The Informal Valuation reflected the most recent Formal Valuation, the relevant exchange rate at the time of the Informal Valuation and adjustments for deferred tax and liquidity.

Taking into account all relevant factors associated with carrying out the Informal Valuation on 11 February 2015, the Board set the new unit price at \$1.40.

#### 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 2017.

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.

### 6. Distributions to unitholders

There were no distributions paid or payable during the year ended 30 June 2015 (2014: \$nil).

**Notes to the financial statements continued**

	Year Ended 30 June 2015	Year Ended 30 June 2014
Note	\$	\$
<b>7. Cash and cash equivalents</b>		
Cash at bank	<u>2,180</u>	<u>3,995</u>
	<u><u>2,180</u></u>	<u><u>3,995</u></u>
<b>8. Receivables</b>		
Tax receivable	<u>-</u>	<u>785</u>
	<u><u>-</u></u>	<u><u>785</u></u>
<b>9. Deferred tax benefit</b>		
Deferred tax benefit	<u>2,730</u>	<u>300</u>
	<u><u>2,730</u></u>	<u><u>300</u></u>
<b>10. Musical instruments</b>		
<b>Stringed instruments</b>		
Fair value at 1 July	4,662,380	2,431,804
Acquisitions	10(a) -	1,649,817
Net gain from fair value adjustment	<u>1,001,683</u>	<u>580,759</u>
Fair value at 30 June	<u><u>5,664,063</u></u>	<u><u>4,662,380</u></u>

**10(a). Acquisitions**

There were no acquisitions of instruments for the year ended 30 June 2015.

## Notes to the financial statements continued

### 10. Musical instruments continued

#### Valuations basis

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

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. This was a Formal Valuation (as described by the Information Memorandum).

The Fair Value of the Instruments shown as at 30 June 2015 reflects the most recent Formal Valuation and the AUD/USD exchange rate as at 30 June 2015.

	Year Ended 30 June 2015	Year Ended 30 June 2014
Exchange Rate AUD/USD	<u>0.7680</u>	<u>0.9330</u>

The next Formal Valuation will be carried out prior to the opening of the next withdrawal window which occurs in July 2017.

#### 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 2015 \$	Year Ended 30 June 2014 \$
<b>11. Payables</b>		
Accrued expenses	3,700	1,000
Intercompany loan	<u>3,801</u>	<u>-</u>
	<u>7,501</u>	<u>1,000</u>

#### 12. Deferred tax liability

Net gain from musical instruments	<u>667,274</u>	<u>366,770</u>
	<u>667,274</u>	<u>366,770</u>

**Notes to the financial statements continued**

**13. 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
- 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.

In the 2014 financial 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:

<b>2015 Unitholder</b>	<b>Units opening Number</b>	<b>Units acquired Number</b>	<b>Units disposed Number</b>	<b>Units closing Number</b>	<b>Fair value \$</b>	<b>Interest held %</b>	<b>Distributions paid \$</b>
<b>WD Best</b>	<b>100,000</b>	<b>-</b>	<b>-</b>	<b>100,000</b>	<b>140,000</b>	<b>3.08</b>	<b>-</b>
	<b>100,000</b>	<b>-</b>	<b>-</b>	<b>100,000</b>	<b>140,000</b>	<b>3.08</b>	<b>-</b>

<b>2014 Unitholder</b>	<b>Units opening Number</b>	<b>Units acquired Number</b>	<b>Units disposed Number</b>	<b>Units closing Number</b>	<b>Fair value \$</b>	<b>Interest held %</b>	<b>Distributions paid \$</b>
WD Best	50,000	50,000	-	100,000	120,000	3.08	-
JG Taberner	100,000	-	100,000	-	-	0.00	-
	<b>150,000</b>	<b>50,000</b>	<b>100,000</b>	<b>100,000</b>	<b>120,000</b>	<b>3.08</b>	<b>-</b>

## Notes to the financial statements continued

### 13. Related party transactions continued

#### Related party holdings

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

2015 Unitholder	Units opening Number	Units acquired Number	Units disposed Number	Units closing Number	Fair value \$	Interest held %	Distributions paid \$
Australian Chamber Orchestra Pty Limited	2,263,755	385,269	1,168,597	1,480,427	2,072,598	45.54	-
Wyargine Holdings Pty Ltd	200,000	-	-	200,000	280,000	6.15	-
James Superannuation Fund	50,000	-	-	50,000	70,000	1.54	-
Alochan Pty Ltd	-	100,000	-	100,000	140,000	3.08	-
	<b>2,513,755</b>	<b>485,269</b>	<b>1,168,597</b>	<b>1,830,427</b>	<b>2,562,598</b>	<b>56.31</b>	<b>-</b>

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	-
	<b>1,290,000</b>	<b>1,360,711</b>	<b>136,956</b>	<b>2,513,755</b>	<b>3,016,506</b>	<b>77.33</b>	<b>-</b>

#### 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 2015 were \$nil (2014: \$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 2015 were \$nil (2014: \$1,000).

## Notes to the financial statements continued

### 14. 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.

### 15. Liquidity risk

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

The first withdrawal window commenced on 1 July 2014 and closed on 21 July 2014. There was a total withdrawal from the fund of 50,000 units. The Australian Chamber Orchestra Pty Limited purchased the 50,000 units for \$60,000 (a unit price of \$1.20).

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 2015 \$	Per Unit 30 June 2015 \$	Year Ended 30 June 2014 \$	Per Unit 30 June 2014 \$
Provision for liquidity risk	<u>443,204</u>	<u>0.14</u>	<u>398,838</u>	<u>0.12</u>

### 16. Events occurring after balance date

No matter or circumstance has arisen since 30 June 2015 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 2015

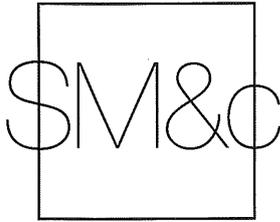
In the opinion, of the directors of the Australian Chamber Orchestra Instrument Fund Pty Ltd as Trustee for the Australia Chamber Orchestra Instrument Fund:

- a. the financial statements and notes set out on pages 22 to 30 are in accordance with the *Corporations Act 2001*, including:
  - i Giving a true and fair view of its financial position as at 30 June 2015 and of its performance for the financial year ended on that date; and
  - ii Complying with Australian Accounting Standards – Reduced Disclosure Requirements (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- 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 15).

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



**W D BEST**  
Director  
Sydney  
28 September 2015



# 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 2015 and the statement of profit or loss and other 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 3, the Directors also state, in accordance with Australian Accounting Standards AASB 101 *Presentation of Financial Statements*, that compliance with the Australian Accounting Standards – Reduced Disclosure Requirements ensures that the financial report, comprising the financial statements and notes, complies with Australian Accounting Standards – Reduced Disclosure Requirements.

### *Auditor's responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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# Independent Audit Report

To the Directors of Australian Chamber Orchestra  
Instrument Fund Pty Ltd

## *Independence*

In conducting my audit, I have complied with the independence requirements of the *Corporations Act 2001*. I confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of the Trustee 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 2015 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 3 and the Corporations Regulations 2001.



**STEVEN J MILLER & CO**  
Chartered Accountants



**STEVEN MILLER**  
Registered Company  
Auditor No 4286

Sydney

Dated 8, 10, 15

# ANTI-MONEY LAUNDERING / COUNTER-TERRORISM FINANCING REPORT

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

An independent audit was conducted by Financial Services Consulting Pty Ltd in January 2015 on the compliance of the Fund's administration with the AML/CTF Act. The auditor concluded that Part A of the Fund's AML/CTF program in all "material" respects:

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



Melissa Barnard

# 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 / 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 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 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.



Ilya Isakovich

## **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.



Helena Rathbone



Ike See

# CORPORATE DIRECTORY

## PATRON, ACO INSTRUMENT FUND PETER WEISS AO

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Julian Thompson



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All ACO musician photography by Mick Bruzzese.  
All instrument photography by Jack Saltmiras.