

AUSTRALIAN CHAMBER ORCHESTRA PTY LIMITED

(a company limited by shares)

and controlled entities

ABN 45 001 335 182

FINANCIAL REPORT

for the year ended

31 December 2014

DIRECTORS' REPORT

The directors present their report for the year ended 31 December 2014.

Directors

The names and particulars of the directors in office during and to the date of this report are:

Mr G Belgiorno-Nettis AM (Chairman)

Non Executive Director

Guido Belgiorno-Nettis AM (BE Civil UNSW; MBA AGSM; FIEAust) is Managing Director of Transfield Holdings Pty Ltd, a Family Office holding investments in infrastructure and renewable energy. Transfield Holdings' current portfolio includes Novatec Solar - a solar power development business based in Germany, leisure asset Perisher, and the Sydney Harbour Tunnel. Guido previously held a number of key positions within the Transfield Group including responsibility for Transfield Engineering and Construction, Project Development Divisions, and Group Communications prior to organising the successful float of Transfield Services and the sale of Transfield's construction business. In early 2015 Guido started his own Family Office parallel to Transfield Holdings focusing on investing in early-phase companies needing capital and organisational support. He was named a Member of the Order of Australia in 2007 for service to the construction industry and the arts. He was also named the Australian Graduate School of Management Distinguished Alumni in 2005, and in 2008 received the University of NSW Alumni Award for outstanding contribution to profession and community. Other Not For Profit board memberships include: President of the Board of Trustees of the Art Gallery of NSW and Member Australian School of Business Advisory Council.

Mr A G C James (Deputy Chairman)

Non Executive Director

Angus James has over 25 years corporate finance experience. He is a principal partner and founder of Aquasia, an independent corporate advisory partnership. He previously held the position of Chief Executive Officer of ABN AMRO Australia & New Zealand and was also a member of ABN AMRO's Asian Management Team, which oversaw all of ABN AMRO's retail, investment banking and asset management activities across 17 countries in Asia/Pacific. He is Chairman of Australian Schools Plus and is also a past Director of the Business Council of Australia, the Australian Curriculum, Assessment and Reporting Authority and the Australian Financial Markets Association. Angus has a Bachelor of Economics from Macquarie University, where in 2008 he was awarded the Alumni Award for Distinguished Service in the fields of Investment Banking, Business Leadership and the Arts. In 2012 Angus co-chaired a review of the Australia Council for the Federal Minister for the Arts.

Mr W D Best

Non Executive Director

Bill Best is currently a consultant to Lane 9 Capital and to On Market Bookbuilds. Bill has 30 years of investment banking and stockbroking experience and was for many years an Executive Director of Macquarie Capital Advisors. Bill is Chairman of Inala, a Rudolf Steiner Organisation supporting individuals with disabilities, Chairman of LifeHealthcare Limited and a non-executive Director of Literacy Planet Limited. Bill has LLB, B.Comm and M.Comm degrees. He is also a Director of the Australian Chamber Orchestra Instrument Fund Pty Limited.

Mr M J Borghetti

Non Executive Director

John Borghetti commenced as the Chief Executive Officer and Managing Director of the Virgin Australia Group of Airlines in May 2010. Under his leadership the Group has undergone a strategic repositioning. He has over 40 years experience in aviation, including a long career at Qantas where he was appointed Executive General Manager Qantas in November 2003, responsible for Qantas Domestic, International and QantasLink. He is also a Director of Energy Australia and the NSW Customer Advisory Board and has previously served as a Director of Jetset Travelworld, Sydney FC, Piper Aircraft (USA), The Australian Ballet and CARE Australia.

Ms E Cacciottolo

Non Executive Director

Liz Cacciottolo has over 25 years international experience in financial services across investment banking, wealth management and private banking. She previously held the position of Chief Executive Officer of UBS Wealth Management Australia (2005 to 2009), Head of UBS Wealth Management UK (1999 to 2004) and Head of European derivative business in UBS Investment Bank (1992-1998). Liz is also a Trustee Director for The Australian Catholic Superannuation & Retirement Fund, on the Board of Kaldor Public Art Projects, a member of the Advisory Council at UNSW Medicine, a member of the Advisory Finance Committee for the Sisters of Charity, a member of Chief Executive Women (CEW) and an Ambassador of Australian Indigenous Education Fund (AIEF).

Ms C Froggatt

Non Executive Director

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. In February 2014, Chris became a Director of the Australian Chamber Orchestra Instrument Fund Pty Ltd.

Mr J Grill AO

Non Executive Director

John Grill is the current chairman and was the former chief executive of international resources and energy company WorleyParsons. Under his leadership, WorleyParsons has become a global enterprise providing specialist design and project services in the civil, structural, environmental, geotechnical and coastal marine fields. He began his distinguished career with Esso Australia and in 1971 established Wholohan, Grill and Partners as a specialised engineering practice in the oil and gas industry. His firm acquired the US company Worley Engineering (Australia) in 1987. Following group restructuring, in 2002 Worley Group Limited listed on the Australian Stock Exchange. In 2004, Worley Group Limited acquired Parsons E&C Corporation, a US-based global project services company, and changed its name to WorleyParsons Limited. John Grill has personal expertise in every aspect of project delivery for projects in the resources and energy industries. He has been directly involved with most of the major clients of WorleyParsons and remains closely involved at board level with the group's joint ventures. His influence on Australian society was acknowledged in the 2014 round of Australia Day Honours with the receipt of an Officer in the Order of Australia award. He was named Engineers Australia Professional Engineer of the Year in 2006 and awarded an honorary doctorate by the University of Sydney in 2010 in recognition of his contribution to the engineering profession. He is chairman of the Minister's Advisory Committee for the Industry Growth Centres program, chairman of the advisory board of the Centre for Project Leadership at Sydney University and is on the board of Neuroscience Research Australia.

Ms H Ridout AO**Non Executive Director**

Heather Ridout is a company director and Reserve Bank Board member with a long history as a leading figure in the public policy debate in Australia. She is Chair of AustralianSuper - the largest industry fund in Australia; a Director of Sims Metal Management - the world's largest publicly listed recycling company; and a Director of ASX Ltd. Her other appointments include member of Asialink; the Advance Australia Advisory Board and the Advisory Board of Climateworks. She is also co-Chair of the Australian-Canada Economic Leadership Dialogue and a delegate to the B20 which is the key business advisory body to the international economic forum and which includes business leaders from all G20 economies. Both the Australia-Canada Forum and the B20 were held in Australia in 2014. Heather is also a longstanding member of the American-Australian Leadership Dialogue, a high level forum including very senior representatives from the US and Australia drawn from politics, public service, business and journalism. Up until 30 April 2012, Heather was Chief Executive of the Australian Industry Group - a major, national employer organisation representing a cross section of industry including manufacturing, construction, defence, ICT and labour hire. Her previous appointments include: member of the Henry Tax Review panel, board member of Infrastructure Australia and Climate Change Australia; member of the Business Roundtable on Climate Change; Australian Workforce and Productivity Agency; member of the National Workplace Relations Consultative Committee; member of the Australian Press Council National Advisory Panel and member of the Prime Minister's Taskforce on Manufacturing. Heather was recently made an Officer (AO) in the general division of the Order of Australia (for distinguished service to business and industry through significant contributions to the development of economic and public policy). Heather holds a BEc (Hons) from the University of Sydney.

Mr A C Stevens**Non Executive Director**

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.

Mr J G Taberner**Non Executive Director**

John Taberner was for 20 years from 1988 a Partner in the Sydney office of Freehills, Solicitors where he led their environmental law practice. He was also a director of the firm's national Pro Bono practice and led the firm's Pro Bono practice in Sydney. John is now a full-time consultant to Herbert Smith Freehills. He has extensive experience advising a wide range of clients on all aspects of environmental law. He was for several years a Director of Annual Report Awards Inc. which established Australia's only award for excellence in environment reporting. John also served for four years as Secretary of the National Environmental Law Association of Australia. John graduated from Sydney University in Bachelor of Arts (Hons), a Master of Arts (Hons) and a Bachelor of Laws. In 1985 he completed a Masters of Comparative Law (Environmental Law) at the George Washington University in Washington DC, USA. He is also a director of the Australian Chamber Orchestra Instrument Fund Pty Ltd and of ACOUK.

Mr P W Yates AM

Non Executive Director

Peter is Deputy Chairman of The Myer Family Investments Ltd and a Director of AIA Australia Limited. He is Chairman of the Royal Institution of Australia, the Australian Science Media Centre, the Faculty of Business and Economics at Melbourne University, the Royal Children's Hospital Foundation and the Shared Value Project and Deputy Chairman of Asialink. Peter is a Director of the Royal Children's Hospital, the Centre of Excellence for Quantum Computation and Communication Technology at UNSW, the Australian Chamber Orchestra and the NHMRC Centre for Personalised Immunology at ANU. From 2004-2007 Peter was Managing Director of Oceania Capital Partners and held the position of Chief Executive Officer of Publishing and Broadcasting Limited from 2001-2004. Until 2001 he worked in the Investment Banking industry including 15 years with Macquarie Bank. He holds a Doctorate from Murdoch University, a Masters degree from Stanford University Graduate School of Business and a Commerce degree from Melbourne University. He speaks Japanese, having studied at Keio University in Tokyo. Peter has been a director of Publishing and Broadcasting, Crown Ltd, Foxtel Ltd, The Nine Network, Ninemsn, Ticketek, Veda Ltd, Oceania Capital Partners Ltd, the National Portrait Gallery, The Melbourne International Arts Festival, Centre for Independent Studies, MOKO.mobi and the Australia-Japan Foundation. In the June 2011 Queen's Birthday Honours, Peter was awarded a Member of the Order of Australia for service to education, to the financial services industry and to a range of arts, science and charitable organisations.

Mr S D Yeo (appointed 4 December 2014)

Non Executive Director

Simon is an Executive Director of Euroz Limited (EZL) and Euroz Securities Limited (wholly owned subsidiary of EZL) and has worked in the Stockbroking industry since 1993. In November 2000 he established the Private Client division of Euroz Securities which he managed until October 2013. He now has a specialised role within the Institutional Sales team dealing with domestic and offshore institutions. Simon holds a Bachelor of Commerce from the University of Western Australia (UWA) and was previously a Chartered Accountant (CA) and Member of the Institute of Chartered Accountants in Australia (ICAA). He was previously a Director of Tura New Music Ltd and prior to that was instrumental in conceptualising, financing and arranging logistics in relation to The Reef project the ACO undertook in 2012.

Meetings of directors

The following table sets out the numbers of meetings of the company's Board and of the Finance, Audit and Risk Management (FARM) committee held during the year ended 31 December 2014 and the number of meetings attended by each director.

	Board meetings		FARM Committee	
	Meetings eligible to attend	Meetings attended	Meetings eligible to attend	Meetings attended
Mr G Belgiorno-Nettis AM (Chairman)	6	5		
Mr A G C James (Deputy Chairman)	6	6	4	3
Mr W D Best	6	5	4	4
Mr M J Borghetti	4	3		
Ms J Crompton (Agent for Mr J. Borghetti)	2	2		
Ms E Cacciottolo	6	5	4	4
Ms C Froggatt	6	5		
Mr J Grill AO	6	6		
Ms H Ridout AO	6	3		
Mr A C Stevens	6	4		
Mr J G Taberner	6	6		
Mr P W Yates AM	4	0		
Mr S D Yeo (appointed 4 December 2014)	0	0		

Principal activities

The principal activity of the company continues to be the presentation of musical performances to Australian and international audiences. In addition, the consolidated group operated an unregistered, wholesale, managed investment fund which invests in rare, historical, high-quality stringed instruments.

Operating result

The consolidated net surplus after income tax for the year is \$397,168 (2013 \$1,264,709). The surplus attributable to external unitholders is \$66,778 (2013 \$142,357). The amount of the consolidated surplus after tax attributable to the parent entity is \$330,390 (2013 \$1,122,352). The orchestral operations resulted in a surplus of \$236,798 (2013 \$966,511).

Dividends/Distributions

The parent entity's Constitution prohibits the declaration or payment of dividends. The managed investment fund did not pay any distributions during the year.

Review of operations

The Australian Chamber Orchestra fulfilled both its national and international remit in 2014 through the presentation of year-long subscription seasons in five states and the ACT, totaling 85 concerts in Adelaide, Brisbane, Canberra, Melbourne, Newcastle, Perth, Sydney and Wollongong as well as a regional tours of Tasmania, NSW and WA by its second ensemble ACO2.

Internationally, the ACO performed in North America (including a residency in Banff, Canada, and concert performances in Chicago and New York) and extensively in Europe (Amsterdam, Birmingham, Cologne, Dublin, Frankfurt, London, Luxembourg and Vienna).

The ACO collaborated with the Bell Shakespeare Company to produce a cross-disciplinary program entitled *Intimate Letters*, participated in Vivid Sydney and gave the world premiere of *Water* by Jonny Greenwood, written specially for the ACO and Artistic Director Richard Tognetti. The ACO's Education Program continued its association with the Australian Children's Music Foundation in the delivery of high quality music education to primary school students from disadvantaged areas, and presented the ACO Academy, a week-long winter music camp for secondary school children, in Melbourne in July.

The ACO Instrument Fund expanded with the launch of its second instrument, a 1714 Joseph Guarneri violin, and attracted a significant number of new investors. Units in the Fund were also revalued from \$1.00 to \$1.20 based on updated valuations of the two instruments in the Fund, provided by an independent group of experts.

ACO VIRTUAL, the ACO's interactive and immersive digital installation, was exhibited in six regional centres and two metropolitan centres, reaching audiences of 17,280.

The ACO launched ACO Move, a music and dance program created specially for young people with disability.

In 2014, the second phase of increases to the musicians' base salaries was implemented, ensuring that the ACO's musicians' remuneration would be competitive with the salaries of the nation's biggest symphony orchestras.

Changes in state of affairs

There were no significant changes in the state of affairs of the company during the financial year.

Subsequent events

On 11 February 2015, the Board of the Australian Chamber Orchestra Instrument Fund set a new unit price of \$1.40. The Board accepted the most recent formal valuation of the Instruments as a guide to the USD value of the assets on the basis that the instruments would at the very least have retained their value. By applying the current AUD/USD exchange rate to the US valuation and discounting this by 15%, resulting in a new unit price of \$1.40 (from \$1.20). The Board agreed that the value of the assets globally have been steady due to the prevailing zero/low interest rate environment and consistent with the revaluation in 2014 a discount of 15% to the estimated unit price was applied, to reflect the illiquid nature of these assets. The discount being within the agreed range of 10-15%.

There have been no other items, transactions, or events of a material and unusual nature likely, in the opinion of the directors, to affect significantly the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in subsequent financial years.

Future developments

The Australian Chamber Orchestra's continued strong performance in 2014 is expected to be sustained in 2015 because of its passionate and committed supporters and the loyalty of its subscriber base.

Directors' benefits

Since the end of the previous financial year no director of the parent entity has received or become entitled to receive any benefit because of a contract made by the company with the director or with a firm of which the director is a member, or with an entity in which the director has a substantial interest.

Indemnification of directors and officers

During the year the parent entity paid professional indemnity and directors' and officers' liability insurance premiums for all of its directors and officers. The nature of the insurance contract providing this cover does not allow the company to disclose either the extent of cover or the premium paid.

Environmental issues

The consolidated group's operations are not regulated by any particular and significant environmental regulation under a law of the Commonwealth or State.

Auditor's independence

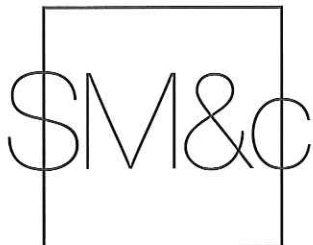
A copy of the auditor's independence declaration as required under the Australian Charities and Not-For-Profits Commission Act 2012 is included on the following page.

Signed in accordance with a resolution of the directors.



GUIDO BELGIORNO-NETTIS AM
Chairman

7 April 2015



Auditor's Independence Declaration

To the Directors of the Australian Chamber Orchestra Pty Limited:

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2014 there have been:

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


STEVEN J MILLER & CO
Chartered Accountant


S J MILLER
Registered Company Auditor
No 4286

Sydney

Dated 1, 4, 15

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

CONSOLIDATED STATEMENT OF SURPLUS OR DEFICIT AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2014

		Consolidated	
	Note	2014	2013
		\$	\$
Revenue	4		
Performance revenue	4(a)	6,901,110	7,979,397
Sponsorship and donation revenue	4(b)	6,123,506	5,363,124
Government funding revenue	4(c)	2,119,010	2,331,935
Other revenue	4(d)	1,464,419	1,420,307
Total revenue		16,608,045	17,094,763
Expenses	5		
Performance expenses		8,803,873	8,653,680
Marketing expenses		709,291	616,364
Development expenses		576,149	521,121
Overhead expenses		5,948,116	5,844,299
Total expenses		16,037,429	15,635,464
Surplus before income tax		570,616	1,459,299
Income Tax expense	6	(173,448)	(194,590)
Surplus for the year after income tax		397,168	1,264,709
Surplus attributable to external unitholders	15	(66,778)	(142,357)
Surplus attributable to the parent entity		330,390	1,122,352
Other Comprehensive Income			
Assets held at fair value			
Current year revaluation increment		65,660	201,901
Deficit on disposal reclassified to surplus		(17,588)	(8,837)
Total other comprehensive income		48,072	193,064
Other comprehensive income attributable to external unitholders		-	-
Other comprehensive income attributable to the parent entity		48,072	193,064
Total comprehensive income for the year		378,462	1,315,416

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2014

	Note	Consolidated	
		2014	2013
		\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents	7	9,408,769	11,055,388
Trade and other receivables	8	1,117,724	637,582
Inventories	9	8,858	10,831
Prepayments		380,915	225,304
Total Current Assets		10,916,266	11,929,105
Non-current Assets			
Available-for-sale financial assets	10	7,891,379	5,750,054
Property, plant & equipment	11	1,448,568	1,691,252
Investments in rare, historical stringed instruments	12	4,662,380	3,931,637
Inventories	9	17,805	8,598
Intangibles	13	187,776	272,717
Total Non-current Assets		14,207,908	11,654,258
Total Assets		25,124,174	23,583,363
LIABILITIES			
Current Liabilities			
Trade and other payables	14	663,043	623,056
Liability to external unitholders	15	1,641,632	1,092,357
Employee benefits	16	580,196	600,882
Government grants	17	75,526	74,865
Unearned revenue	18	5,122,726	5,008,374
Total Current Liabilities		8,083,123	7,399,534
Non-current Liabilities			
Provision for unit fund costs	19	398,838	154,494
Deferred tax liabilities	20	366,769	192,541
Employee benefits	16	500,737	440,550
Total Non-current Liabilities		1,266,344	787,585
Total Liabilities		9,349,467	8,187,119
NET ASSETS		15,774,707	15,396,244
EQUITY			
Share capital	21	17	17
Reserves	22	12,513,743	12,288,860
Accumulated surpluses	22	3,260,947	3,107,367
Total Equity		15,774,707	15,396,244
Commitments for expenditure	24		

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
as at 31 December 2014

Consolidated	Note	Share Capital \$	Capital Challenge \$	Reserve Incentive Funding \$	Asset Reval- uations \$	Special Reserves \$	Accumulate d Funds \$	Total Equity \$
Balance at 1 January 2013		16	2,808,968	606,000	326,811	8,250,000	2,053,251	14,045,046
Prior period		-	-	-	(43,674)	-	79,456	35,782
Restated opening balance	16	2,808,968		606,000	283,137	8,250,000	2,132,707	14,080,828
Surplus for the year	-	-	-	-	-	-	1,122,352	1,122,352
Other comprehensive income	-	-	-	-	193,064	-	-	193,064
	16	2,808,968		606,000	476,201	8,250,000	3,255,059	15,396,244
Transfers to/(from) reserves	-	347,038		-	(199,347)	-	(147,691)	-
Balance at 1 January 2014	16	3,156,006		606,000	276,854	8,250,000	3,107,368	15,396,244
Prior period	1	-	-	-	-	-	-	1
Restated opening balance	17	3,156,006		606,000	276,854	8,250,000	3,107,368	15,396,245
Changes in equity								
Surplus for the year	-	-	-	-	-	-	330,390	330,390
Other comprehensive income	-	-	-	-	48,072	-	-	48,072
Transfer to/(from) reserves	-	(22,536)		-	199,347	-	(176,811)	-
Balance at 31 December 2014	22	17	3,133,470	606,000	524,273	8,250,000	3,260,947	15,774,707

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

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2014

	Note	Consolidated 2014 \$	2013 \$
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Receipts from customers		6,718,154	8,153,005
Receipts from sponsors and donors		5,999,462	5,093,944
Instrument Fund donations		67,602	230,527
Instrument Fund applications		482,496	-
Interest/Dividends received		727,815	841,014
Cash flows from government			
Receipts of government grants		2,331,638	2,511,911
Net GST received		-	52,570
Total cash received		16,327,167	16,882,971
Payments			
Payments to employees		(7,218,220)	(6,815,046)
Payment to Suppliers		(8,345,904)	(8,324,925)
Refund/(Payment) of income tax		449	(1,599)
Total cash used		(15,563,675)	(15,141,570)
Net cash provided by operating activities		763,492	1,741,401
CASH FLOW FROM INVESTING ACTIVITIES			
Receipts			
Proceeds from sales of financial assets		1,411,880	47,349
Total cash received		1,411,880	47,349
Payments			
Payments for property, plant, equipment and intangibles		(184,462)	(845,667)
Payment for investment in rare, historical stringed instrument		(149,984)	(1,499,834)
Purchases of available for sale financial assets		(3,487,545)	(404,976)
Total cash used		(3,821,991)	(2,750,477)
Net cash used in investing activities		(2,410,111)	(2,703,128)
Net decrease in cash and cash equivalents		(1,646,619)	(961,727)
Cash and cash equivalents at the beginning of the year		11,055,388	12,017,115
Cash and cash equivalents at the end of the year	7	9,408,769	11,055,388

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2014

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 31 December 2014
(continued)

Note 1: Introduction and statement of compliance

This financial report includes the consolidated financial statements and notes of the Australian Chamber Orchestra Pty Ltd and controlled entities ('Group') for the year ended 31 December 2014.

These financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the Australian Charities and Not-For-Profits Commission Act 2012. The Australian Chamber Orchestra is a not-for-profit entity for the purpose of preparing the financial statements.

The consolidated financial statements for the year ended 31 December 2014 were approved and authorised for issue by the board of directors on 7 April 2015.

Note 2: Changes in accounting policies

New and revised standards that are effective for these financial statements

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

AASB 10 Consolidated Financial Statements

AASB 10 supersedes the consolidation requirements in AASB 127 Consolidated and Separate Financial Statements (AASB 127) and AASB Interpretation 112 Consolidation - Special Purpose Entities. AASB 10 revises the definition of control and provides extensive new guidance on its application. These new requirements have the potential to affect which of the Group's investees are considered to be subsidiaries and therefore to change the scope of consolidation. The requirements on consolidation procedures, accounting for changes in non-controlling interests and accounting for loss of control of a subsidiary are unchanged.

AASB 10 is applicable to not-for-profit entities for annual reporting periods beginning on or after 1 January 2014.

To assist not-for-profit entities applying the AASB 10, the AASB issued AASB 2013-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities – Control and Structured Entities on 31 October 2013.

AASB 2013-8 added an appendix to AASB 10 to explain and illustrate how the principles in AASB 10 apply from the perspective of not-for-profit entities in the private and public sectors, particularly to address circumstances where a for-profit perspective does not readily translate to a not-for-profit perspective. Similarly, it added an appendix to AASB 12 Disclosure of Interests in Other Entities, in relation to structured entities.

AASB 10 (and AASB 2013-8) became applicable to not-for-profit entities for annual reporting periods beginning on or after 1 January 2014.

Management has reviewed its control assessments in accordance with AASB 10 and has concluded that there is no effect on the classification (as subsidiaries or otherwise) of any of the Group's investees held during the period or comparative periods covered by these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 31 December 2014
(continued)

Note 2: Changes in accounting policies (continued)

AASB 11 Joint Arrangements

AASB 11 supersedes AASB 131 Interests in Joint Ventures (AAS 131) and AASB Interpretation 113 Jointly Controlled Entities - Non-Monetary-Contributions by Venturers. AASB 11 revises the categories of joint arrangement, and the criteria for classification into the categories, with the objective of more closely aligning the accounting with the investor's rights and obligations relating to the arrangement. In addition, AASB 131's option of using proportionate consolidation for arrangements classified as jointly controlled entities under that Standard has been eliminated. AASB 11 now requires the use of the equity method for arrangements classified as joint ventures (as for investments in associates).

AASB 11 became applicable to not-for-profit entities for annual reporting periods beginning on or after 1 January 2014.

The adoption of AASB 11 has not had any significant impact on the Group.

AASB 12 Disclosure of interests in Other Entities

AASB 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It combines the existing disclosures in AASB 127, AASB 128 & AASB 131, and introduces a range of new disclosure requirements.

AASB 12 became applicable to not-for-profit entities for annual reporting periods beginning on or after 1 January 2014.

The adoption of AASB 12 has not had any significant impact on the Group.

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

AASB 2012-3 adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

AASB 2012-3 is applicable to annual reporting periods beginning on or after 1 January 2014.

The adoption of these amendments has not had a material impact on the Group as the amendments merely clarify the existing requirements in AASB 132.

AASB 2013-6 Amendments to AASB 136 arising from Reduced Disclosure Requirements

AASB 2013-6 makes amendments to AASB 136 Impairment of Assets to establish reduced disclosure requirements for entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements arising from AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets. AASB 2013-3 made narrow scope amendments to AASB 136, addressing disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

AASB 2013-6 became applicable to annual reporting periods beginning on or after 1 January 2014.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 31 December 2014
(continued)

Note 2: Changes in accounting policies (continued)

Amendments to AASB 119 Employee Benefits

The 2011 amendments to AASB 119 made a number of changes to the accounting for employee benefits. These included amended definitions of short-term and other long-term employee benefits, which will likely impact the measurement and classification of annual leave liabilities. The superseded AASB 119 defined short-term employee benefits as those due to be settled within 12 months after the end of the period in which employees render the service. The revised AASB defines them as benefits that are expected to be settled wholly within 12 months after the end of the annual reporting period in which the employee renders the related service.

This amendment has had no significant impact on the entity.

Note 3: Summary of significant accounting policies

Overall considerations

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below.

The consolidated financial statements have been prepared using the measurement bases specified by Australian Accounting Standards for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

Basis of consolidation

The consolidated financial statements consolidate those of the parent entity, Australian Chamber Orchestra Pty Ltd, and its controlled entities as at 31 December each year. The Group obtains and exercises control through having a majority of directors on the board of a controlled entity in common with the board of the parent entity. The term Group used throughout these financial statements means the parent entity and its controlled entities. Note 26 provides details of the entities comprising the Group.

The financial statements of the controlled entities are prepared for the same reporting period as the parent entity using consistent accounting policies. Adjustments are made to bring into line any discrepancies that may exist in accounting policies. All intercompany balances and transactions have been eliminated in full.

Non controlling interests, external unitholders, in the Australian Chamber Orchestra Instrument Fund, are presented as a liability and represent the portion of the profit or loss of the Australian Chamber Orchestra Instrument Fund and net assets that are not held by the Group. The Group attributes total comprehensive income or loss of the Australian Chamber Orchestra Instrument Fund between the owners of the parent and the external unitholders based on their respective ownership interests.

Significant judgements and key assumptions

Information about estimates and assumptions that have the most significant effect on recognition and measurement of asset, liabilities, income and expenses is provided below. Actual results may be substantially different.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 31 December 2014
(continued)

Note 3: Summary of significant accounting policies (continued)

Fair value of musical instruments and rare, historical stringed instruments

Management used valuation techniques to determine the fair value of its musical instruments and rare, historical stringed instruments. These values are supported by market evidence. Management relies on the advice of external professional valuers that have sufficient expertise, knowledge and experience with respect to the available market and the condition of the instruments. The fair value may vary from the actual market price that would be achieved in an arm's length transaction at the reporting date.

Useful lives of depreciable assets

Management estimates the useful lives of its depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties exist in relation to technical obsolescence that may change the utility of certain software and IT/Musical Equipment.

Inventories

The net realisable value of inventories is estimated by taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by market-driven changes that may reduce the future selling price.

Long service leave

Long service leave liability is measured at the present value of the estimate cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Provision for unit fund costs

The provision for unit fund costs estimates the future cash outflows relating to the transaction costs and the liquidity risk of units in the fund at the reporting date. The estimate of these outflows may vary from the actual outflows.

3.1 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed are net of goods and services tax (GST).

The following specific recognition criteria must also be met before revenue can be recognised:

(a) Performance revenue

Revenue from ticket sales is recognised in the Consolidated Statement of Surplus or Deficit and Other Comprehensive Income at the time of concert performances. Revenue in respect of productions not yet performed is included in the Consolidated Statement of Financial Position as unearned revenue under Current Liabilities.

(b) Sponsorship and donations revenue

Sponsorship commitments are brought to account as income in the year in which sponsorship benefits are bestowed. A contribution of a non-financial asset is recognised as an asset when the Group gains control of the contribution. Accordingly, the fair value of the asset is recognised as revenue at the same date.

Donations are brought to account as received.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 31 December 2014
(continued)

Note 3: Summary of significant accounting policies (continued)

(c) Funding revenue

A number of the group's programs are supported by grants received from the federal, state and local governments. If there are conditions attached to a grant which must be satisfied before the company is eligible to receive the contribution, recognition of the grant as revenue is deferred until those conditions are satisfied.

Revenue from a grant that is not subject to conditions is recognised when the company obtains control of the funds, economic benefits are probably and the amount can be measured reliably.

(d) Interest and dividend revenue

Interest revenue is recognised using the effective interest rate method. Dividend revenue is recognised when the dividend is received.

3.2 Income tax

The parent entity is exempt from income tax under Div 50-5 Item 1.1 of the *Income Tax Assessment Act 1997*.

The Australian Chamber Orchestra Instrument Fund Pty Ltd is subject to tax. Income tax expense recognised in the surplus or deficit comprises the sum of deferred tax and current tax.

Current income tax comprises those obligations to the Australia Taxation Office (ATO) and other fiscal authorities relating to the current or prior reporting periods, that are unpaid at reporting date. Current tax is payable on the taxable surplus, which differs from surplus or deficit in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted by the end of the reporting period.

Deferred income tax is calculated using the liability method on temporary differences between the carrying amount of assets and liabilities and their tax bases.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset only when a right of set-off and an intention to set-off current tax assets and liabilities from the same taxation authority exists.

Changes in deferred tax asset or liabilities are recognised as a component of tax benefit or expense in surplus or deficit, except where they relate to items that are recognised in other comprehensive income, in which case the related deferred tax is also recognised in other comprehensive income, respectively.

3.3 Receivables

Trade receivables are carried at amounts due at balance date. The collectability of debts is reviewed on an ongoing basis and at balance date a specific allowance is made for any doubtful accounts.

An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debt. Bad debts are written off when identified.

3.4 Inventories

Finished goods are stated at the lower of cost and net realisable value. Costs are assigned to individual items of stock on the basis of weighted average costs.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 31 December 2014
(continued)

Note 3: Summary of significant accounting policies (continued)

3.5 Musical performances

The costs associated with musical performances that are incurred in the current financial year in respect of productions not yet performed are included in the Consolidated Statement of Financial Position as prepayments under Current Assets.

3.6 Available-for-sale financial assets

Available-for-sale assets are those financial assets that are designated as available-for-sale or are not classified as either financial assets at fair value through surplus or deficit, loans and receivables or held-to-maturity investments. When an available-for-sale financial asset is recognised initially, it is measured at its cost which represents its fair value.

After initial recognition available-for-sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the asset is derecognised or until the asset is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in the surplus or deficit.

The fair value of assets that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date. For assets with no active market, fair value is determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis; and option pricing models.

3.7 Property, plant and equipment

Leasehold improvements & other property, plant & equipment

Leasehold improvements, IT equipment and other equipment are stated at historical cost less accumulated amortisation or depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Musical instruments

Musical instruments are stated at fair values determined by periodic independent valuations. For new acquisitions of instruments the fair value equates to the cost price.

Increases in the carrying amount of a class of assets arising on a revaluation are credited to a revaluation reserve in equity. Decreases that offset previous increases in a class of assets are charged against the revaluation reserve in equity; all other decreases are charged to the Consolidated Statement of Surplus or Deficit and Other Comprehensive Income.

Refer to Note 11 for particulars of the revaluation to fair value, movements during the year and depreciation and amortisation methods and rates used.

Depreciation and amortisation

Depreciation is calculated on a straight line basis to write off the net cost or relevant amount of each item of plant and equipment over its expected useful life to the Group. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items.

The cost of improvements to or on leasehold properties is amortised over the expired period of the lease or the estimated useful life of the improvement, whichever is the shorter. The useful life applicable in the current year was six years.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 31 December 2014
(continued)

Note 3: Summary of significant accounting policies (continued)

Impairment

The carrying values of property, plant and equipment are reviewed for impairment at each reporting date and an impairment loss recognised whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is the higher of the assets fair value less costs to sell and value in use. Impairment losses are recognised in the Consolidated Statement of Surplus or Deficit and Other Comprehensive Income.

Derecognition and disposal

Items of property, plant and equipment are derecognised on disposal. Gains or losses are determined by comparing any proceeds with the carrying amount and are included in surplus or deficit in the year the asset is derecognised and any amount included in reserves transferred to general surplus.

3.8 Investment in rare, historical stringed instruments

The Group invests in rare, historical stringed instruments for capital appreciation, and these are accounted for using the fair value model. For new acquisitions, the fair value equates to the cost price. The Board considers the valuation of the instruments each year and revalues them every two years. The instruments are included in the Consolidated Statement of Financial Position at their market value. These values are supported by market evidence and are determined by external professional valuers that have sufficient experience, expertise and knowledge with respect to the available market and the condition of the instruments.

Any gain or loss resulting from a change in the fair value of rare, historical musical instruments is immediately recognised in surplus or deficit within other revenue as change in fair value of rare, historical stringed instruments.

Refer to Note 12 for particulars of the fair value adjustments.

3.9 Intangibles

Software and website developments are stated at historical cost less accumulated amortisation and any impairment losses.

Historical cost includes expenditure incurred in building or enhancing the parent entity's website, to the extent that it represents probable future economic benefits controlled by the company that can be reliably measured. Costs in relation to feasibility studies during the planning phase of a website, and ongoing costs of maintenance during the operating phase are charged as expenses in the period in which they are incurred.

The cost of website development is amortised on a straight line basis over the estimated useful life of the asset. Expenditure on advertising and promotional activities is recognised as an expense when the Group either has the right to access the goods or has received the service.

Refer to Note 13 for movements during the year and amortisation methods and rates used.

3.10 Leased assets

Leases of assets are classified as operating leases as the lessors retain substantially all of the risks and benefits of ownership. Payments made under operating leases are charged to the Statement of Surplus or Deficit and Other Comprehensive Income on a straight-line basis over the period of the lease.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 31 December 2014
(continued)

Note 3: Summary of significant accounting policies (continued)

3.11 Government grants and unearned revenue

The liabilities for government grants and unearned revenue represent the un-utilised amounts of grants and sponsorships received on conditions that specified services are delivered or conditions fulfilled. Generally the services are delivered or conditions fulfilled within twelve months after the reporting date.

3.12 Employee benefits

Provisions for employee entitlements to wages, salaries and annual leave represent the amounts which the Group has a present obligation to pay resulting from employees' services provided up to balance date. The provisions have been calculated at wage and salary rates which are expected to be paid when the liability is settled and include related on-costs.

Long service leave liability represents the present value of the estimated future cash outflows to be made by the employer resulting from employees' services provided up to balance date and takes into account estimates of attrition rates and pay increases through promotion and inflation.

Liabilities for employee benefits which are not expected to be settled within twelve months are discounted using the rates attaching to national government securities at balance date which most closely match the terms of maturity of the related liabilities.

3.13 Provision for unit fund costs

The provision for unit fund costs represents the estimated future cash flows that Management estimates could result from transactions costs and the liquidity risk relating to units in the Australian Chamber Orchestra Instrument Fund. The fund invests in rare, historical stringed instruments which are infrequently traded and the units themselves are restricted to limited withdrawal opportunities and are not traded in an organised public market but can be transferred privately to other wholesale investors.

3.14 Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, unless the amount of GST incurred is not recoverable from the ATO when it is recognised as part of the cost of acquisition of an asset or as part of the expense. Receivables and payables are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the ATO is classified within operating cash flows.

3.15 Superannuation plans

The parent entity contributes to several defined-contribution superannuation plans. Contributions are recognised as an expense in the period in which employee services are rendered.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 31 December 2014
(continued)

	Consolidated	
	2014	2013
	\$	\$
Note 4: Revenue		
Note 4(a) - Performance revenue		
Subscriptions	4,067,882	3,971,154
Single ticket sales	2,403,887	3,749,108
Concert fees - Domestic	83,866	61,793
Concert fees - International	236,825	146,288
Other performance revenue	108,650	51,054
	<u>6,901,110</u>	<u>7,979,397</u>
Note 4(b) - Sponsorship and donation revenue		
Sponsorships	1,819,828	1,807,360
Donations received	3,147,898	2,347,127
Instrument Fund Donations	167,602	230,527
Fundraising revenues	988,178	978,110
	<u>6,123,506</u>	<u>5,363,124</u>
Note 4(c) - Government funding revenue		
Australia Council – Major Performing Arts Fund	1,823,752	1,791,506
Arts Qld	-	61,000
AusIndustry – Playing Australia	74,865	83,621
Arts NSW	193,630	234,375
Other government grants	26,763	161,433
	<u>2,119,010</u>	<u>2,331,935</u>
Note 4(d) - Other revenue		
Interest and dividends received	817,251	720,023
Change in fair value of investment in rare, historical stringed instruments	580,759	641,804
Other revenue	66,409	58,480
	<u>1,464,419</u>	<u>1,420,307</u>
Note 5: Expenses		
The surplus for the year includes the following specific items:		
Note 5(a) - Inventories		
Amount of inventories recognised as an expense	<u>9,866</u>	<u>11,316</u>
Note 5(b) - Other expenses		
Foreign exchange losses	<u>5,548</u>	<u>16,666</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 31 December 2014
(continued)

	Consolidated	
	2014	2013
	\$	\$
Note 6: Income Tax expense		
The major components of tax expense and the reconciliation of the expected tax expense based on the domestic effective tax rate of 30% and the reported tax expense in surplus or deficit are as follows:		
Surplus before tax	570,616	1,459,299
Domestic tax rate	30%	30%
Expected tax expense	171,185	437,790
Adjustment for tax-exempt income:		
Relating to not for profit status of parent entity	(71,040)	(289,953)
Adjust prior year overs/unders	-	405
Adjustment for non-deductible expenses:		
Relating to provision for liquidity	73,303	46,348
Actual tax expense	173,448	194,590
Tax expense comprises:		
Current tax (income)/expense	(780)	2,049
Deferred tax expense (income)		
Origination of temporary differences	174,228	192,541
Tax expense	173,448	194,590
Note 7: Cash and cash equivalents		
Cash at bank and on hand	172,081	465,766
Short term deposits	9,236,688	10,589,622
	9,408,769	11,055,388
Note 8: Trade and other receivables		
Trade accounts receivable	390,574	274,341
Allowance for doubtful accounts	(36,900)	(74,561)
	353,674	199,780
Interest receivable	206,841	117,405
GST recoverable	104,571	225,105
	311,412	342,510
Other receivables	490,299	95,292
Allowance for doubtful accounts	(37,661)	-
	452,638	95,292
	1,117,724	637,582
Note 9: Inventories		
CDs, DVDs and books on hand		
at net realisable value	26,663	19,429
	26,663	19,429
Current	8,858	10,831
Non-current	17,805	8,598
	26,663	19,429

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 31 December 2014
(continued)

	Consolidated	
	2014	2013
	\$	\$
Note 10: Available-for-sale financial assets		
Financial assets	<u>7,891,379</u>	<u>5,750,054</u>
Available-for-sale financial assets are those non-derivative financial assets, principally equity securities, that are designated as available-for-sale and are held at market value.		
Reconciliation of opening and closing balances of investments		
Opening balance	5,750,054	5,190,526
Additions	3,487,545	404,976
Disposals	(1,394,293)	(38,512)
Revaluation increments	48,073	193,064
Closing balance	<u>7,891,379</u>	<u>5,750,054</u>
Note 11: Property, plant & equipment		
Details of the Group's property, plant and equipment and their carrying amounts are as follows:		
At cost:		
Leasehold improvements		
Leasehold improvements - at cost	411,908	411,911
Accumulated amortisation	(266,826)	(226,506)
	<u>145,082</u>	<u>185,405</u>
Other plant & equipment		
Other plant and equipment - at cost	1,771,582	1,654,918
Accumulated depreciation	(1,135,973)	(823,121)
	<u>635,609</u>	<u>831,797</u>
At fair value:		
Musical instruments		
Musical instruments - at fair value	875,012	864,773
Accumulated depreciation	(207,135)	(190,723)
	<u>667,877</u>	<u>674,050</u>
Total property, plant and equipment	<u>1,448,568</u>	<u>1,691,252</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 31 December 2014
(continued)

Property, plant & equipment (continued)

Reconciliation of the opening and closing balances

	Leasehold Improvements (at cost) \$	Other Property, Plant & Equipment (at cost) \$	Musical Instr- uments (at fair value) \$	TOTAL \$
Carrying amount at 1 January 2014	185,405	831,797	674,050	1,691,252
Additions/(disposals)	(3)	116,664	10,239	126,900
Depreciation/ amortisation	(40,320)	(312,852)	(16,412)	(369,584)
Carrying amount at 31 December 2014	145,082	635,609	667,877	1,448,568

Depreciation

The straight line method of amortisation is used to amortise leasehold improvements over the remaining period of the lease. The straight line method of depreciation is used to depreciate plant and equipment over 3-7 years and musical instruments over 50 years.

Revaluations

Musical instruments are revalued periodically by registered valuers and were last revalued at 31 December 2011. The pianos were revalued by Theme and Variations Piano Services. The harpsichord was revalued by Bill Bright. The stringed instruments were revalued by J & A Beare Ltd. At 31 December 2014, the directors reviewed the carrying value of the instruments for impairment with no adjustments other than depreciation being considered appropriate.

	Consolidated 2014	2013
	\$	\$

Note 12: Investments in rare, historical stringed instruments

Details of the Group's investment in rare, historical stringed instruments and their fair value are as follows:

Opening balance	3,931,637	1,790,000
Additions	149,984	1,499,833
Change in the fair value through surplus or deficit	580,759	641,804
	4,662,380	3,931,637

Rare, historical stringed instruments are valued periodically by registered valuers and were last valued at 2 May 2014 by Peter Biddulph Limited. At 31 December 2014, the directors reviewed the fair value of these instruments and determined the fair value to be appropriate.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 31 December 2014
(continued)

	Consolidated	
	2014	2013
	\$	\$
Note 13: Intangibles		
Software		
Software - at cost	416,776	413,538
Accumulated amortisation	(383,273)	(354,424)
	<u>33,503</u>	<u>59,114</u>
Website		
Website - at cost	719,558	681,075
Accumulated amortisation	(565,285)	(467,472)
	<u>154,273</u>	<u>213,603</u>
Total intangible assets	<u>187,776</u>	<u>272,717</u>

Reconciliation of the opening and closing balances

	Software	Website	TOTAL
	\$	\$	\$
Carrying amount at 1 January 2014	59,114	213,603	272,717
Additions	3,239	38,483	41,722
Amortisation expense	(28,850)	(97,813)	(126,663)
Carrying amount at 31 December 2014	33,503	154,273	187,776

The straight line method of amortisation is used to amortise Software over 3-5 years and the Website over 3 years. Amortisation is included in the Overhead expenses line in the Consolidated Statement of Surplus or Deficit and Other Comprehensive Income.

	Consolidated	
	2014	2013
	\$	\$
Note 14: Trade and other payables		
Trade creditors	264,274	373,154
Accrued expenses	51,538	62,867
Other payables	347,231	187,035
	<u>663,043</u>	<u>623,056</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 31 December 2014
(continued)

Note 15: Liability to external unitholders

Movement in the liability to external unit holders in the Australian Chamber Orchestra Instrument Fund ("the Fund") during the period were as follows:

	Consolidated	
	2014	2013
	\$	\$
Opening balance	1,092,357	950,000
Applications	532,497	-
Redemptions	(50,000)	-
Profit attributable to external unitholders	66,778	142,357
Closing balance	1,641,632	1,092,357

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 and liquidity risk management

The Fund considers its net assets attributable to unit holders as capital, notwithstanding net assets attributable to unit holders are classified as a liability. The amounts of net assets attributable to unit holders are 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 number 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 first withdrawal window opportunity for redemption since the creation of the Fund arose in 2014 at which time 50,000 units were redeemed. The next opportunity will be in 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 unit holders.

	Consolidated	
	2014	2013
	\$	\$

Note 16: Employee benefits

Reconciliation of employee benefits:

Opening balance	1,041,432	852,000
Provided during the year	39,502	189,432
Closing balance	1,080,934	1,041,432

Analysis of employee benefits:

Current	580,196	600,882
Non-current	500,737	440,550
	1,080,933	1,041,432

Note 17: Government grants

Grants in advance:

Arts NSW	34,043	-
Arts Queensland	41,483	74,865
	75,526	74,865

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 31 December 2014
(continued)

	Consolidated	
	2014	2013
	\$	\$
Note 18: Unearned revenue		
Subscription series revenue in advance	4,158,349	4,027,559
Ticket income in advance	543,607	434,204
Sponsorships in advance	361,691	509,228
Other unearned revenue	59,079	37,383
	<u>5,122,726</u>	<u>5,008,374</u>

Note 19: Provision for unit fund costs

Provision for fund costs	<u>398,838</u>	<u>154,494</u>
Provision cost per unit	<u>\$ 0.12</u>	<u>\$ 0.08</u>

The provision for unit fund costs represents the estimated future cash flows that management estimates could result from transactions costs and the liquidity risk relating to units in the Australian Chamber Orchestra Instrument Fund. The fund invests in rare, historical stringed instruments which are infrequently traded and the units themselves are restricted to limited withdrawal opportunities and are not traded in an organised public market but can be transferred privately to other wholesale investors.

	Consolidated	
	2014	2013
	\$	\$

Note 20: Deferred tax liability

Deferred taxes arising from temporary difference can be summarised as follows:

Investment in rare, historical stringed instruments

at 1 January	192,541	-
Change in fair value recognised in surplus or deficit	174,228	192,541
at 31 December	<u>366,769</u>	<u>192,541</u>

	Number of Shares	Number of Shares
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Note 21: Share capital

Authorised:

Ordinary shares of \$1 each	<u>100</u>	<u>100</u>
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Shares in the parent entity may not be transferred or otherwise dealt with except as set out in the parent entity's Constitution.

Ordinary shareholders are not entitled to receive any dividends, bonuses or fees, nor are they entitled to a share of the proceeds upon a winding up of the parent entity.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote only.

Issued:

Ordinary shares of \$1 each fully paid	<u>17</u>	<u>17</u>
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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 31 December 2014
(continued)

	Consolidated	
	2014	2013
	\$	\$
Note 22: Reserves and accumulated surpluses		
Reserves		
Asset revaluation:		
Investments	121,965	51,357
Musical instruments	402,308	225,497
Special purpose	8,250,000	8,250,000
Reserve Incentive Funding Scheme	606,000	606,000
Capital Challenge	3,133,470	3,156,006
	12,513,743	12,288,860

Reserve Incentive Funding Scheme Reserve

The funds received under the Reserve Incentive Funding Scheme, together with the parent entity's contribution are held in escrow and are subject to the terms and conditions of the Reserves Incentive Funding Scheme agreement. They have not been used to secure any liabilities of the parent entity. Any net income earned from the reserves is available for use by the parent entity without further restriction.

Capital Challenge

The ACO Capital Challenge is a secure fund which will permanently strengthen the ACO.

During the year the Capital Challenge earned net income of \$176,811 and had unrealised gains of \$33,718.

During the year the company transferred \$NIL from the Capital Challenge Reserve to meet the costs of the 'ACO Capital Challenge'.

Special purpose Reserves
Instrument Fund Redemption Reserve

The Australian Chamber Orchestra Instrument Fund will provide investors with withdrawal opportunities from the Fund every three years, limited to \$500,000 at each withdrawal window. It is intended that those withdrawals will be funded by the parent entity which shall buy those units from those investors seeking to participate in the withdrawal opportunity.

Special Purpose Reserves
Other Reserves

Funds have been transferred to reserves to fund the company's relocation to new premises, education and to support emerging artists programs, create new exceptional music collaborations, commission new works and develop the ACO's unique programming to the international stage and to seed fund the purchase of instruments for the Instrument Fund.

	Consolidated	
	2014	2013
	\$	\$
Accumulated surpluses	3,260,947	3,107,368

Reconciliation of movement during 2014

Opening balance	3,107,368	2,132,707
Surplus for the year	330,390	1,122,352
Transferred to reserves	(176,811)	(147,691)
Closing balance	3,260,947	3,107,368

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 31 December 2014
(continued)

	Consolidated	
	2014	2013
	\$	\$

Note 23: Fair value measurement

23.1 Fair value measurement of financial instruments

Assets

Listed securities	7,891,379	5,750,054
Net fair value	7,891,379	5,750,054

The fair value of listed securities is their market price at the reporting date.

23.2 Fair value measurement of non-financial instruments

Property, plant & equipment

Rare, historical musical instruments	4,662,380	3,931,637
Musical instruments	667,877	674,050
	5,330,257	4,605,687

The rare, historical musical instruments were revalued on 2 May 2014. The musical instruments were previously revalued on 31 December 2011.

The fair value of rare, historical musical instruments and musical instruments is estimated based on valuations provided by independent, suitably qualified, experienced valuers of rare, historical, high quality stringed instruments.

Note 24: Commitments for expenditure

	Consolidated	
	2014	2013
	\$	\$

Operating leases

Total future minimum lease payments under non-cancellable operating leases payable:

Within one year	244,475	234,076
Later than one and not later than five years	658,743	765,926
Later than five years	-	73,212
	903,218	1,073,214

Commitments are GST inclusive where relevant.

Operating leases included are effectively non-cancellable and comprise:
Monthly rental agreements for office equipment expiring between July 2016 and October 2018;
Office premises lease expiring November 2019 subject to annual CPI reviews.

There are no contingent rents payable, no renewal or purchase options and, with the exception of the Office premises, no escalation clauses.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 31 December 2014
(continued)

	Consolidated	
	2014	2013
	\$	\$
Note 25: Credit standby arrangements		
The parent entity has an unsecured bank overdraft facility in the amount of \$150,000.		
Total amount of credit unused at 31 December	150,000	150,000

Note 26: Related party disclosures

Controlled entities

The Australian Chamber Orchestra Instrument Fund Pty Ltd was a controlled entity at 31 December 2014. The entity was incorporated on 10 December 2010. The Australian Chamber Orchestra Instrument Fund Pty Ltd is the Trustee for the Australian Chamber Orchestra Instrument Fund. The entity is a controlled entity as the majority of the directors of the entity are directors of Australian Chamber Orchestra Pty Ltd.

As at 31 December 2014, the entity held cash of \$110,000 (2013: \$nil), in trust for applicants for units in the Australian Chamber Orchestra Instrument Fund.

The Australian Chamber Orchestra Instrument Fund was a controlled entity at 31 December 2014. The entity was formed on 14 July 2011. As at 31 December 2014, the entity held cash of \$4,780 (2013: \$nil)

As at 31 December 2014, the entity had issued 3,250,711 units (2013: 1,990,000) and the Australian Chamber Orchestra Pty Ltd held 1,897,091 units (2013: 1,040,000). On 15 May 2014, the Fund revalued the unit price to \$1.20 (2013: \$1.15).

Name of controlled entity	Reporting Date	Ownership Interest
Australian Chamber Orchestra Instrument Fund Pty Ltd	30 June	0%
Australian Chamber Orchestra Instrument Fund	30 June	58%

Transactions with related parties

The parent entity transferred the Stradivarius violin to the Australian Chamber Orchestra Instrument Fund for \$1,790,000 in 2011, in exchange for units in the Australian Chamber Orchestra Instrument Fund. The consideration of \$1,790,000 was the cost originally paid by the parent entity for the violin.

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.

The parent entity and the Australian Chamber Orchestra Instrument Fund have signed an "Instrument Hire" agreement whereby for a nominal fee (which includes insurance, marketing and administration expenses), the parent entity can utilise the instruments owned by the Australian Chamber Orchestra Instrument Fund.

The parent entity and The Australian Chamber Orchestra Instrument Fund Pty Ltd have signed a "Fund Administration Agreement" whereby the parent entity agrees to provide fund administration, instrument management and general asset management duties on behalf of the Australian Chamber Orchestra Instrument Fund Pty Ltd at no cost.

The parent entity has incurred administrative costs of \$140,277 (2013: \$78,308) on behalf of Australian Chamber Orchestra Instrument Fund Pty Ltd during the year ended 31 December 2014.

These costs are not subject to reimbursement by the Australian Chamber Orchestra Instrument Fund Pty Ltd.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31 December 2014

(continued)

Note 26: Related party disclosures (continued)

Directors and parties related to the directors of the parent entity held units in the Australian Chamber Orchestra Instrument Fund as follows:

2014 Unitholder	Units Opening Number	Units Acquired Number	Units Disposed Number	Units Closing Number	Fair Value	Interest Held	Distributions Paid
Wyargine Holdings Pty Ltd	200,000	-	-	200,000	240,000	6.15%	-
Alochan Pty Ltd ATF Sharetrust		100,000	-	100,000	120,000	3.08%	-
WD Best	50,000	50,000	-	100,000	120,000	3.08%	-
James Super Fund	50,000	-	-	50,000	60,000	1.54%	-
JG Taberner	100,000	-	100,000	-	-	0.00%	-
Total	400,000	150,000	100,000	450,000	540,000	13.85%	-

2013 Unitholder	Units Opening Number	Units Acquired Number	Units Disposed Number	Units Closing Number	Fair Value	Interest Held	Distributions Paid
Wyargine Holdings Pty Ltd	200,000	-	-	200,000	230,000	10.05%	-
WD Best	50,000	-	-	50,000	57,500	2.51%	-
James Super Fund	50,000	-	-	50,000	57,500	2.51%	-
JG Taberner	100,000	-	-	100,000	115,000	5.03%	-
Total	400,000	-	-	400,000	460,000	20.10%	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31 December 2014

(continued)

	Parent Entity	
	2014	2013
	\$	\$
Note 27: Parent entity information		
Information relating to Australian Chamber Orchestra Pty Ltd		
Current assets	10,207,569	14,280,597
Non-current assets	12,726,804	7,714,022
Total assets	22,934,373	21,994,619
Current liabilities	6,640,528	6,159,021
Non-current liabilities	500,737	440,550
Total liabilities	7,141,265	6,599,571
Net assets	15,793,108	15,395,048
Share capital	12	12
Reserves	12,606,121	12,444,860
Accumulated funds	3,186,975	2,950,176
Total equity	15,793,108	15,395,048
Surplus for the year	236,798	966,511
Total comprehensive income for the year	398,059	1,463,216

Note 28: Subsequent events

On 11 February 2015, the Board of the Australian Chamber Orchestra Instrument Fund set a new unit price of \$1.40. The Board accepted the most recent formal valuation of the Instruments as a guide to the USD value of the assets on the basis that the instruments would at the very least have retained their value. By applying the current AUD/USD exchange rate to the US valuation and discounting this by 15%, resulting in a new unit price of \$1.40 (from \$1.20). The Board agreed that the value of the assets globally have been steady due to the prevailing zero/low interest rate environment and consistent with the revaluation in 2014 a discount of 15% to the estimated unit price was applied, to reflect the illiquid nature of these assets. The discount being within the agreed range of 10-15%.

There were no other adjusting or significant non-adjusting events that have occurred subsequent to the reporting date and the date of authorisation.

Note 29: Charitable fundraising

The parent entity holds an authority to fundraise under the Charitable Fundraising Act, 1991 (NSW) and conducts fundraising appeals throughout the year. Additional information and declarations required to be furnished under the Act are as follows:

All funds raised from fundraising activities, net of direct costs, were applied to the company's normal operations. The company did not conduct any appeals in which traders were engaged.

Responsible Persons' Declaration – per section 60.15 of the *Australian Charities and Not-for-profits Commission Regulation 2013*

The responsible persons declare that in the responsible persons' opinion:

- (a) there are reasonable grounds to believe that the registered entity is able to pay all of its debts, as and when they become due and payable; and
- (b) the financial statements and notes satisfy the requirements of the *Australian Charities and Not-for-profits Commission Act 2012*.

Signed in accordance with subsection 60.15(2) of the *Australian Charities and Not-for-profits Commission Act 2012*



GUIDO BELGIORNO-NETTIS AM

Chairman

Dated this 7th day of April 2015

DECLARATION BY CHAIRPERSON AS REQUIRED BY THE CHARITABLE FUNDRAISING ACT 1991 (NSW)

I, Guido Belgiorno-Nettis AM, Chairman of Australian Chamber Orchestra Pty Ltd, declare that in my opinion:

- (a) the accounts for the year ended 31 December 2014, give a true and fair view of all income and expenditure of Australian Chamber Orchestra Pty Ltd with respect to fundraising appeals; and
- (b) the statement of financial position as at 31 December 2014 gives a true and fair view of the state of affairs with respect to fundraising appeals; and
- (c) the provisions of the Charitable Fundraising Act 1991 (NSW) and the regulations under that Act and the conditions attached to the authority have been complied with; and
- (d) the internal controls exercised by Australian Chamber Orchestra Pty Ltd are appropriate and effective in accounting for all income received and applied from any of its fundraising appeals.



GUIDO BELGIORNO-NETTIS AM

Chairman

7 April 2015



Independent Audit Report

To the members of the Australian Chamber Orchestra Pty Limited

Report on the financial report

I have audited the accompanying financial report of the Australian Chamber Orchestra Pty Limited (the company), which comprises the consolidated statement of financial position as at 31 December 2014 and the consolidated statement of surplus or deficit and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and directors' declaration.

The responsibility of the directors for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Australian Charities and Not-for-profits Commission Act 2012*. 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 company'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 company'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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by a Scheme,
approved under
the Professional
Standards
Legislation

Independent Audit Report

To the members of the Australian Chamber Orchestra Pty Limited

Independence

In conducting my audit, I have complied with the independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012*.

Auditor's opinion pursuant to the Australian Charities and Not-for-profits Commission Act 2012

In my opinion, the financial report of the Australian Chamber Orchestra Pty Limited is in accordance with the *Australian Charities and Not-for-profits Commission Act 2012*, including:

- a. giving a true and fair view of the Company's financial position as at 31 December 2014 and of its performance for the year ended on that date; and
- b. complying with Australian Accounting Standards – Reduced Disclosure Requirements (including Australian Accounting Interpretations) as described in Note 2 and the *Australian Charities and Not-for-profits Commission Regulation 2012*.

Auditor's opinion pursuant to the Charitable Fundraising (NSW) Act 1991

In my opinion:

- a) the financial report gives a true and fair view of the financial result of fundraising appeal activities for the financial year ended 31 December 2014;
- b) the financial report has been properly drawn up, and the associated records have been properly kept for the period from 1 January 2014 to 31 December 2014, in accordance with the *Charitable Fundraising (NSW) Act 1991* and Regulations;
- c) money received as a result of fundraising appeal activities conducted during the period from 1 January 2014 to 31 December 2014 has been properly accounted for and applied in accordance with the *Charitable Fundraising (NSW) Act 1991* and Regulations; and
- d) there are reasonable grounds to believe that the Australian Chamber Orchestra Pty Limited will be able to pay its debts as and when they fall due.


STEVEN J MILLER & CO
Chartered Accountant


S J MILLER
Registered Company Auditor
No 4286

Sydney
Dated 15, 4, 15