

AUSTRALIAN CHAMBER ORCHESTRA PTY LIMITED

(a company limited by shares)

and its controlled entities

ABN 45 001 335 182

FINANCIAL REPORT

for the year ended

31 December 2017

DIRECTORS' REPORT

The directors of Australian Chamber Orchestra Pty Limited present their report together with the financial statements of the consolidated entity, being Australian Chamber Orchestra Pty Limited ('the Company') and its Controlled Entities ('the Group') for the year ended 31 December 2017 and the Independent Audit Report thereon.

Directors' details

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

Mr G Belgioro-Nettis AM (BE Civil UNSW; MBA AGSM; FIEAust)

Chairman

Non-Executive Director since 6 May 1996

Guido Belgioro is Managing Director of his family office Angophora Capital. Established in 2015, Angophora Capital focuses on Private Equity opportunities - early stage companies needing capital, strategic and organisational support. He is also Non-Executive Director Tempo Australia, and Non-Executive Director Balmoral Pastoral. He is Managing Director of the passive investment company, Transfield Holdings Pty Ltd. Transfield Holdings changed its business model in 2003 from a multi-disciplined Engineering and Construction company to private equity. From 1999 - 2003 Guido was Managing Director of the Transfield Group. His previous key roles were CEO - Transfield Engineering and Construction, and Director - Project Development. Past Board roles include: President of the Art Gallery NSW Trust, Director-Transfield Foundation, Director Campus Living Villages Funds Management Limited, Chairman - Novatec Solar Shareholders' Committee, Non-Executive Director - Transfield Services Ltd, Non-Executive Director - Charter Hall, Non-Executive Director - Transurban Limited, and Chairman - Biennale of Sydney. Guido was named a Member of the Order of Australia in 2007 for service to the construction industry and the arts. He was 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. In his hobby of sailing, he has been awarded the Idris Trophy – Sailor of the Year from the Royal Sydney Yacht Squadron - and won the 2011 Farr 40 World Championship.

Ms E Lewin

Deputy Chair

Non-Executive Director since 12 June 2009

Elizabeth Lewin (nee Cacciottolo) is a professional company Director with extensive international experience in the financial services sector across investment banking, wealth management, investment management and superannuation. She is a Non-Executive Director of Colonial First State Investments Limited, Colonial Mutual Superannuation Pty Ltd and Avanteos Investments Limited, and is Chair of their respective Board Investment Committees. Prior executive roles included Chief Executive Officer of UBS Wealth Management Australia (2005 - 2009), Head of UBS Wealth Management UK (1999 - 2004) and Head of European derivative business in UBS Investment Bank UK (1992 - 1998). Elizabeth is a Non-Executive Director of Kaldor Public Art Projects, a Trustee and Treasurer of St Vincent's Clinic Foundation, Councillor and Treasurer of Cranbrook School, 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).

Mr W D Best

Non-Executive Director since 29 July 2008

Bill Best is currently Chairman of LifeHealthcare, an ASX listed specialist distributor of high-end medical devices, and Liverpool Partners Private Equity Fund. He is also Chairman of Inala, a Rudolf Steiner organisation supporting individuals with disabilities, and the Australian Chamber Orchestra Instrument Fund Pty Limited. Bill is an advisor to OnMarketBookbuilds. Previously Bill had 30 years of investment banking experience and was for many years an Executive Director of Macquarie Bank. He has LLB, B.Comm and M.Comm degrees.

DIRECTORS' REPORT (CONTINUED)**Mr M J Borghetti AO****Non-Executive Director since 5 December 2012**

John Borghetti commenced as the Chief Executive Officer and Managing Director of the Virgin Australia Group of Airlines in May 2010. He has over 40 years experience in aviation, including a long career at Qantas. He is also a Director of Coca-Cola Amatil and has previously served as a Director of Energy Australia, Piper Aircraft (USA), The Australian Ballet and CARE Australia.

Ms J Crawford**Non-Executive Director appointed 27 April 2017**

Judy Crawford has been a philanthropist for more than 30 years, supporting a range of causes and charities. She has a long and enthusiastic history of championing change. Judy's involvement in charitable organisations has ranged from her work with ground-breaking cancer treatment centre, Chris O'Brien Lifehouse, to being a founding Board Member of the Children's Hospital Foundation, and a committee member of Social Ventures Australia. Judy served as President of the Point Piper Liberal Party branch (the Prime Minister's local branch). During her ten or so years in this role, she was a key organiser of fundraising for the Liberal Party of Australia, as well as the Australian Republican movement. Judy has a keen interest in the Arts and until recently was a member of the Board of Directors of Sydney Dance Company. She is a long-term supporter of the Sydney Symphony Orchestra, the Australian Chamber Orchestra, and a founder of the Joye Art Foundation.

Mr J Kench**Non-Executive Director appointed 27 April 2017**

John Kench is a Consultant adviser at Johnson, Winter & Slattery, lawyers. A founding senior partner of JWS Sydney (2004) and national chairman of partners (2012-2016). Formerly, a senior partner of Blake Dawson Waldron (now Ashurst) 1983-2004. Lead legal adviser to ACO since 2013. Recognised by peers and in legal directories as one of Australia's leading competition law practitioners and strategic problem solvers. Extensive commercial and corporate law experience, including in the music, film and broadcasting industries. Previous relevant directorships include Scientific-Atlanta, Bertelsman Doubleday and Fine Music FM.

Mr A Lee**Non-Executive Director since 1 March 2016**

Anthony Lee moved to Australia from Hong Kong in 1987 and is a private investor based in Sydney. He is a board member of Beyond International Limited (ASX listed) and Hysan Development Company Limited and Television Broadcasts Limited (both companies listed on the Hong Kong Stock Exchange). Anthony is also a trustee of Princeton University and a member of the Vice Chancellor's Campaign Board of The University of Sydney. Anthony has been a volunteer serving his alma mater, Princeton University, since 1984 with experience in multiple fundraising campaigns. Anthony and his wife are music lovers and support a wide range of activities in Australia including establishing the first ever Jazz Scholarship at the Sydney Conservatorium of Music. Anthony received a BA in Mathematics from Princeton University and a MBA from the Chinese University of Hong Kong.

Mr M Myer AO**Non-Executive Director appointed 24 October 2017**

Martyn Myer has 25 plus years of experience in executive and non-executive board and chair roles in private and public companies, not-for-profit organisations and philanthropic foundations. Martyn currently is Chairman of Cosgate Ltd, President of Myer Foundation, Deputy Chancellor of the University of Melbourne and on the Boards of the Melbourne Theatre Company and Australian Chamber Orchestra. Martyn stepped down as Chairman of Myer Family Investment Pty Ltd, the collective Myer family investment group, in October 2016. In June 2008, Martyn was appointed an Officer in the Order of Australia for service to business and the community, particularly through contributions to medical research and the establishment of the Florey Neuroscience Institute and through executive and philanthropic roles with a range of organisations. Martyn has a Bachelor of Engineering degree from Swinburne University (1980), a Masters of Engineering Science from Monash University (1989) and a Master of Science in Management from the Sloan School of Management, Massachusetts Institute of Technology in Boston, USA (1990).

DIRECTORS' REPORT (CONTINUED)**Mr J T Ostroburski****Non-Executive Director since 17 August 2016**

James Ostroburski is Chief Executive of Kooyong Group, a family of companies that provides property finance and advisory to individuals and businesses, manages private wealth and supports Australian social and cultural endeavours through philanthropy. The group's centrepiece is Kooyong Wealth, a boutique lending business that sourced an initial capital pool of over \$35 million before launching in December 2016. Prior to Kooyong, James held leadership roles at Grimsey Wealth (2015–2016), Investec Bank (Aust) Ltd (2010–2015) and Credit Union Australia (2009–2010), focusing on property advisory, debt funding and wealth management. James is a Director of the Australian Chamber Orchestra, Bundanoon Trust, Jewish Museum of Australia, Institute of Creative Health & Chairman of Dancehouse Incorporated. He also recently co-chaired the fifth annual Nexus Global Youth Summit – a launchpad for leaders in social change and innovation – at the United Nations in New York City. James was formerly a Governor of the Arts Centre Melbourne Foundation.

Ms H Ridout AO**Non-Executive Director since 5 December 2012**

Heather Ridout is a company Director with a long history as a leading figure in the public policy debate in Australia. Heather is Chair of AustralianSuper - the largest industry fund in Australia; a Director of ASX Ltd; Director of Image Networks Holdings Pty Ltd and a Director of Sims Metal Management - the world's largest publicly listed recycling company. Her other appointments include member of the Boards of Asialink; Advance Australia Advisory Board; L.E.K. Consulting Advisory Board; RAND Australia Advisory Board and is a member of ASIC's – External Advisory Panel. 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, defence, ICT and labour hire. Her previous appointments include: member of the Reserve Bank Board; member of the Henry Tax Review panel; board member of Infrastructure Australia; board member of Note Printing Australia; member of the Business Roundtable on Climate Change; member of the National Workplace Relations Consultative Committee; member of the Prime Minister's Taskforce on Manufacturing; co-Chair of the Australian-Canada Economic Leadership Dialogue and a delegate to the B20 which is the key business advisory body to the G20. In 2014 Heather was 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, an honorary Doctor of Business (honoris causa) from both Macquarie University and The University of Ballarat.

Ms C Schwartz AM**Non-Executive Director since 30 November 2015**

Carol Schwartz has extensive experience in business, property, the arts, and community organisations and has been a director on a large number of public company and government boards. Carol is currently the Chair of Creative Partnerships Australia, Our Community and Founding Chair of the Women's Leadership Institute Australia. Some of Carol's other directorships include, Reserve Bank of Australia, Stockland, Qualitas Property Partners, Member Advance Global Advisory Council, Founding Director, Scale Angel Network and a BoardLinks champion. In 2016, Carol was inducted into the Australian Property Hall of Fame and was made an Honorary Life Member of the Property Council of Australia. Carol was awarded a Member of the Order of Australia in the Australia Day Honors list in 2006 for her achievements in business and commerce and her contribution to community and the arts; Carol also received the Centenary Medal in 2001, was awarded a Monash University Fellowship in 2010, was inducted into the 2011 Victorian Women's Honour Roll and in 2012 Carol was recognised as one of Australia's most influential women in the Australian Financial Review and Westpac's Inaugural 100 Women of Influence Awards. Together with her husband and four children, Carol established the Trawalla Foundation. The Trawalla Foundation invests in social enterprises and opportunities that focus on arts, ideas, innovation and scholarship.

DIRECTORS' REPORT (CONTINUED)**Ms J Steiner****Non-Executive Director since 30 November 2015**

Julie Steiner is the Chair of Odgers Berndtson Australia and Head of the Board, CEO, Education and Cultural sector practices. Period to executive search, Julie worked in the public and private sectors as General Manager ABC Enterprises and CEO of the Pay Television divisions for the Australia Broadcasting Corporation and also a CEO of IMAX Australia. Her career was in international publishing with Macmillan Publishers Ltd and Penguin Books Australia. She has been broadcaster with the ABC and has sat on a number of Boards. Julie is a graduate of the Australian Institute of Company Directors, is the Chair of the Odgers Berndtson Global Education Practices and is on the Board of the Australian Chamber Orchestra Pty Ltd and the Australian Chamber Orchestra Instrument Fund Pty Ltd. Julie has an honours degree in English Literature and Politics from the University of Melbourne.

Mr A C Stevens**Non-Executive Director retired 27 April 2017**

Andrew Stevens is a Non-Executive Director and was formerly the Managing Director of IBM Australia and New Zealand. Andrew is the Chairman of Advanced Manufacturing Growth Centre Limited and a Director of MYOB Group Limited, Stockland Group Limited and Thorn Group. He is also a Director of the Committee for the Economic Development of Australia (CEDA) and the Greater Western Sydney GIANTS. He is a member of the Business Advisory Executive at UNSW Business at the University of New South Wales, a member 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 is a fellow chartered accountant and 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 since 9 December 2009**

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 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. John was previously a Director of the ACO between 29 August 2001 and 28 October 2008. John was reappointed as a Director of the ACO on 9 December 2009. John is also a Director of the Australian Chamber Instrument Fund Pty Ltd and of ACOUK and ACOUS. He is also a Director of Enova Community Energy Ltd and Zero Emissions Byron Ltd.

Dr N Walton**Non-Executive Director since 8 October 2015**

Dr Nina Walton is an economist, lawyer, and Non-Executive Director. Currently Nina is a Director at the Advanced Manufacturing Growth Centre. Until recently, Dr Walton lived in Los Angeles where she was a Professor of Law and Economics at the University of Southern California Law School in Los Angeles. She also served as co-Director of USC's Center for Law, Economics and Organisation. Her areas of expertise include incentives and institutions, corporate governance, game theory, law and economics, and regulation. Before entering into academia, Dr Walton practiced law in Australia and was based for several years in San Francisco, CA, where she worked in international business development for a Fortune 500 company. In addition, Dr Walton has served as a City-appointed Board Commissioner for the Industrial Development Authority in Los Angeles and was a member of the California Committee of Human Rights Watch. In addition to receiving her Ph.D. in Economics from University of California, Los Angeles (UCLA), Dr Walton has a Masters in Public Policy from UCLA as well as a Arts/Law degree from the University of NSW.

DIRECTORS' REPORT (CONTINUED)
Mr P W Yates AM
Non-Executive Director retired 24 October 2017

Peter is Deputy Chairman of The Myer Family Investments Ltd, a Director of AIA Australia Limited and a Director of Linfox Australia Pty Ltd. 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, the Shared Value Project, the NHMRC Centre for Personalised Immunology at ANU and the Australian Research Council Centre of Excellence for Quantum Computation and Communication Technology at UNSW. He is a Director of the Royal Children's Hospital. 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 of the University from Murdoch University, a Masters degree from Stanford University Graduate School of Business and a Commerce degree from Melbourne. 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, 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 and in 2017 was made a Fellow of the Australian Academy of Technology and Engineering (ATSE).

Mr S D Yeo
Non-Executive Director since 4 December 2014

Simon Yeo 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. Simon holds a Bachelor of Commerce from the University of Western Australia. He was the Executive Producer of The Reef, being instrumental in conceptualising, financing and arranging logistics, when the ACO first launched the project in 2012 and also for The Reef redux undertaken in 2015 for the 2016 The Reef tour of the USA. He was previously a Director of Tura New Music.

Directors' meetings

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 2017 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)	5	5		
Ms E Lewin (Deputy Chair)	5	5	6	6
Mr W D Best	5	4	6	4
Mr M J Borghetti AO	5	3		
Ms J Crawford (Appointed 27 April 2017)	4	3		
Mr J Kench (Appointed 27 April 2017)	4	3	3	2
Mr A Lee	5	3		
Mr M Myer AO (Appointed 24 October 2017)	2	1		
Mr J T Ostrobrski	5	3		
Ms H Ridout AO	5	5		
Ms C Schwartz AM	5	3		
Ms J Steiner	5	3		
Mr A C Stevens (Retired 27 April 2017)	2	1		
Mr J G Taberner	5	4		
Dr N Walton	5	4	6	6
Mr P W Yates AM (Retired 24 October 2017)	4	3		
Mr S D Yeo	5	4		

DIRECTORS' REPORT (CONTINUED)
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 result for the year attributable to the parent entity is a total comprehensive income of \$4,638,912 [2016: \$1,314,112]. This comprises of a overall surplus of \$4,063,880 [2016: \$1,036,057] attributable to the parent entity. The parent entity results are after including net surplus contribution of \$3,435,986 [2016: \$31,537 deficit] for the ACO New Premises Project at Pier 2/3 in Walsh Bay Arts Precinct.

Extract of Consolidated Statement of Surplus or Deficit and Other Comprehensive Income

	2017 \$	2016 \$
General Operations (including Investment Income)	627,894	1,067,594
New Premises Project - Donations	3,815,000	350,000
New Premises Project - Expenditure	(379,014)	(381,537)
New Premises Project Net Contribution Surplus / (Deficit)	3,435,986	(31,537)
Surplus attributable to the parent entity	4,063,880	1,036,057
Other comprehensive income attributable to parent entity	575,032	278,055
Total comprehensive income for the year attributable to the parent entity	4,638,912	1,314,112

Dividends and distributions

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

Review of operations

The Australian Chamber Orchestra (ACO) fulfilled its national remit in 2017 through the presentation of 81 concerts across New South Wales, Queensland, Victoria, Western Australia, South Australia and the Australian Capital Territory, including eight concerts presented in addition to the Orchestra's national subscription season. The ACO's regional touring and emerging artist ensemble, ACO Collective, gave 14 concerts across regional New South Wales, Victoria and Queensland.

In June 2017, the ACO gave the world premiere performance of *Mountain*, the ACO's cinematic collaboration with Australian director Jennifer Peedom. The premiere was presented in partnership with Sydney Film Festival and Vivid LIVE to a sold-out audience at the Sydney Opera House, followed by a national tour which received universal critical acclaim. Following the ACO's national tour *Mountain* was released in cinemas around Australia and the UK; it became the most successful Australian documentary of 2017 and topped the documentary charts on iTunes UK.

Other artistic highlights of the year included the ACO's continued exploration of the music of JS Bach, with the season featuring performances of the composer's violin concertos and spectacular Christmas Oratorio, and the return of much-loved soloists including flautist Emmanuel Pahud and pianist Kristian Bezuidenhout.

The ACO ventured abroad on two major international tours in 2017. In March ACO Artistic Director Richard Tognetti directed the ACO in two concerts at London's Barbican Centre, in his final year as the Barbican's first ever Artist-in-Residence at Milton Court. In November the Orchestra embarked on a six-stop European tour to destinations including London, Helsinki, Vienna and Munich. The tour concluded with a special performance at Buckingham Palace, at an event held in the ACO's honour and hosted by His Royal Highness The Prince of Wales.

2017 saw the ACO release four new albums in partnership with ABC Classics across a range of platforms, including digital (standard and high-definition formats), CD and vinyl.

1. *Bach | Beethoven Fugue* (April)
2. *Mountain* Soundtrack (August)
3. *Jonny Greenwood Water | Mozart Night Music* (November)
4. *Enchanted: Danny Spooner* (November)

AUSTRALIAN CHAMBER ORCHESTRA PTY LIMITED

and its controlled entities

DIRECTORS' REPORT (CONTINUED)

Review of operations continued

Johnny Greenwood Water | *Mozart Night Music* was the first Australian produced classical vinyl release in 20 years.

In 2017 the ACO's National Education Program delivered over 230 music education events and reached over 4,500 young people from New South Wales, Queensland, Victoria, South Australia, the ACT and Western Australia.

The ACO has long-held a desire of having its own home, and is in the final planning stages of securing new premises as part of the revitalised Walsh Bay Arts Precinct Project at Pier 2/3. To support these aspirations the ACO commenced the "quiet" phase of gaining financial support for this visionary project, which will launch publically in 2019. The ACO has been delighted with the generous early support received; \$3,815,000 in cash donations were received during 2017 [as at 31 December 2017, \$4,165,000 life to date].

The ACO Instrument Fund had ten new investors in 2017, to the value of approximately \$1.6 million. This included a major investment by superannuation fund Media Super. The Instrument Fund also acquired its third instrument in 2017, a rare 1616 *Brothers Amati Cello*.

The Instrument Fund Board undertook a Formal Valuation of the current units and agreed at its 10 April 2017 meeting that the current unit price of \$1.40 (2016: \$1.40) should remain unchanged. The Instrument Board decided to undertake an Informal Valuation on 24 May 2017 and resolved the unit price would remain \$1.40 for the July 2017 withdrawal period.

Strategic plan update

2017 was the second year of the ACO's five-year strategic plan. The ACO's strategic objectives over 2016 – 2020 are:

- **Excellence:** Create and present programs that are artistically excellent, innovative, vibrant, and imbued with our distinctive character.
- **Access:** Share our music with the nation and the world.
- **Engagement:** Enable more Australians to appreciate music and participate in music.
- **Audience:** Nurture and expand our audience base.
- **Organisation:** Be as innovative organisationally as we are artistically, to strengthen our already sound processes, finances and governance.

To achieve these goals, in 2017 the ACO undertook the following activities:

Excellence:

- Presented unconventional collaborations with artists beyond classical music, including a national tour with American folk musician Sam Amidon, an international tour The Reef film with live performance to London, the co-production, premiere and national tour of Mountain film with live performance across Australia as well as in collaboration with Vivid and the Sydney Film Festival;
- Reinvigorated existing chamber orchestra repertoire through the commissioning and world premiere of works from Australian composers Ross Edwards, James Ledger, Joe Chindamo, and original works by Richard Tognetti;
- Invested in the artistic development of our second ensemble, ACO Collective, through the highly successful second year of its inaugural Artistic Director – the internationally acclaimed Pekka Kuusisto;
- Continued to provide the musicians of the ACO with access to high quality period instruments by growing the ACO Instrument Fund and its investor base; as well as through long-term loans with generous benefactors;
- Nurtured the next generation of world class string players through an elite Emerging Artists' Program with over seven and a half weeks of training activity across the year;
- Delivered 318 hours of music education activities for school students across Australia – including in regional Australia; and
- Maintained existing corporate partnership and philanthropy programs and developed a new support program aligned to Mountain and a new corporate partnership product in partnership with The School of Life.

Access:

- Complemented our national subscription season by performing 10 concerts in England, Finland, Germany, Switzerland and Austria;
- Continued collaborations with Gondwana Choirs, Worawa College in Healesville, VIC and Djarragun College in Gordonvale, QLD to connect the ACO and its music with Indigenous Australian artists; and

DIRECTORS' REPORT (CONTINUED)

Strategic plan update continued

Access continued:

- Continued to expand our funding programs to support international touring through the charitable entities of ACO UK and ACO US.

Engagement:

- Offered an education program of the highest artistic quality that is relevant to both students and teachers, as assessed by the ACO's Education Peer Review Panel and feedback obtained from participant surveys and interviews;
- Continued to work with the NSW Government in the planning and development of a fully accessible ACO Music Centre as a hub for artistic exploration, music education, and community engagement;
- Maintained our position as Australia's truly national orchestra through coverage of metropolitan and regional Australia in NSW, QLD, SA, WA, VIC and ACT – with the plan to cover all states and territories over a three-year period; and
- Further secured our government relationship to address funding gaps in our touring and education activities by securing project funding from the Australia Council for the Arts' Playing Australia program and Create NSW's Performing Arts Touring program for our ACO Collective regional touring, regional education and community engagement activities; as well as funding from the Australia Council for the Arts' Major Performing Arts Change Management grant program to support the development of our business systems.

Audience:

- Used our Customer Relationship Management system, audience segmentation and data to inform our programming and development of live and digital audience initiatives;
- Continued to implement a digital innovation program to defy geography by presenting ACO Virtual in 7 centres across regional and metropolitan Australia to over 13,700 people and implementing a digital recordings program in collaboration with The Thomas Foundation and ABC Classics; and
- Collaborated with Vivid Sydney, Stranger than Fiction Films and Madman to present the ACO and its ensembles to new audiences in the Vivid Live Festival and the Sydney Film Festival.

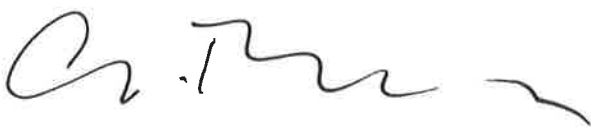
Organisation:

- Ensured that our business processes operate in the most effective and efficient way. with business improvement projects commenced including server consolidation, off site backups in place, improved internet connectivity and audit of how our Customer Relationship Management and ticketing system is utilised across the organisation, this audit included training and support for staff;
- Used our musicians' time most efficiently to reconcile national and international reach with the artistic wellbeing of the ensemble through our operational planning processes;
- Attracted and maintained a Board of Directors, musicians and administration of the highest quality;
- Ensured that our development programs continued to evolve to reflect the changing needs of the organisation and the environment; and
- Ensured the ACO is financially stable and has sufficient financial reserves to sustain it in a challenging financial environment through our financial management processes.

Auditor's independence

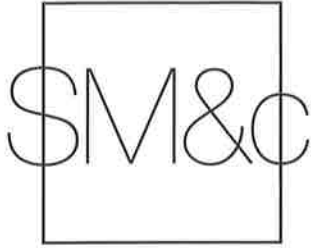
The auditor's independence declaration for the year ended 31 December 2017 has been received and can be found on page 10.

Signed in accordance with a resolution of the directors.



GUIDO BELGIORNO-NETTIS AM
Director

11 April 2018



Auditor's Independence Declaration

To the Directors of the Australian Chamber Orchestra Pty Limited:

In accordance with the requirements of section 60-40 of the Australian Charities and Not-for-profits Commission Act 2012, as lead auditor for the audit of the Australian Chamber Orchestra Pty Limited for the year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been:

- (a) No contraventions of the auditor independence requirements of the Australian Charities and Not-for-profits Commission Act 2012 in relation to the audit; and
- (b) No contraventions of 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 11, 4, 18

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CONSOLIDATED STATEMENT OF SURPLUS OR DEFICIT AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2017

	Note	Consolidated 2017 \$	2016 \$
Revenue	4		
Performance revenue	4(a)	7,756,164	7,348,798
Sponsorship and donation revenue	4(b)	10,358,334	8,693,662
Government funding revenue	4(c)	2,408,848	2,565,203
Other revenue	4(d)	1,094,621	1,009,066
Total revenue		21,617,967	19,616,729
Expenses	5		
Performance expenses		8,987,773	9,437,194
Marketing expenses		786,426	840,026
Development expenses		884,220	637,727
Overhead expenses		6,890,389	7,761,194
Total expenses		17,548,808	18,676,141
Surplus before income tax		4,069,159	940,588
Income tax benefit/(expense)	6	41,127	(20,461)
Surplus for the year		4,110,286	920,127
(Surplus)/deficit attributable to external unitholders	15	(46,406)	115,930
Surplus/(Deficit) attributable to the parent entity		4,063,880	1,036,057
Other Comprehensive Income			
Unrealised gain/(loss) on available-for-sale financial assets	10	589,858	(175,883)
Revaluation of musical instruments		-	377,026
Movement in fair value of investments in rare, historical stringed instruments	12	(61,519)	193,734
Other comprehensive income for the year, net of income tax		528,339	394,877
Other comprehensive loss/(income) attributable to external unitholders	15	46,693	(116,822)
Other comprehensive income attributable to the parent entity		575,032	278,055
Total comprehensive income for the year attributable to the parent entity		4,638,912	1,314,112

The above consolidated 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 2017

		Consolidated	
	Note	2017	2016
		\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents	7	11,426,577	6,656,782
Trade and other receivables	8	717,885	426,503
Inventories	9	5,796	7,157
Prepayments		543,193	636,287
Total Current Assets		12,693,451	7,726,729
Non-current Assets			
Available-for-sale financial assets	10	13,460,612	12,863,242
Property, plant & equipment	11	3,108,831	3,145,015
Investments in rare, historical stringed instruments	12	7,020,281	5,857,797
Inventories	9	11,651	14,384
Intangible assets	13	2,225	5,242
Total Non-current Assets		23,603,600	21,885,680
Total Assets		36,297,051	29,612,409
LIABILITIES			
Current Liabilities			
Trade and other payables	14	1,256,076	1,041,580
Liability to external unitholders	15	4,735,539	2,967,759
Other provisions	16	659,635	715,087
Grant liabilities	17	393,684	300,435
Unearned revenue	18	5,669,699	5,558,765
Total Current Liabilities		12,714,633	10,583,626
Non-current Liabilities			
Provision for liquidity risk	19	576,618	612,122
Deferred tax liabilities	20	643,879	685,005
Other provisions	16	758,410	593,654
Total Non-current Liabilities		1,978,907	1,890,781
Total Liabilities		14,693,540	12,474,407
NET ASSETS		21,603,511	17,138,002
EQUITY			
Share capital	21	21	19
Reserves	22	14,145,130	13,522,743
Accumulated surpluses	22	7,458,360	3,615,240
Total Equity		21,603,511	17,138,002

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2017

		Share Note Capital	Capital Challenge	Reserve Incentive Funding	Asset Revaluation Reserve	Special Reserves	Accumulated Funds	Total Equity
		\$	\$	\$	\$	\$	\$	\$
Balance at 1 January 2016		18	3,348,226	606,000	749,438	8,250,000	2,903,512	15,857,194
Prior period adjustment		-	-	-	-	-	(33,305)	(33,305)
Share issued		1	-	-	-	-	-	1
Surplus for the year		-	374,222	-	-	-	661,835	1,036,057
Other comprehensive income		-	(154,303)	-	432,358	-	-	278,055
		19	3,568,145	606,000	1,181,796	8,250,000	3,532,042	17,138,002
Transfers to/(from) reserves		-	(105,000)	-	21,802	-	83,198	-
Balance at 31 December 2016		19	3,463,145	606,000	1,203,598	8,250,000	3,615,240	17,138,002
Balance at 1 January 2017		19	3,463,145	606,000	1,203,598	8,250,000	3,615,240	17,138,002
Prior period adjustment		-	-	-	-	-	(173,405)	(173,405)
Restated opening balance		19	3,463,145	606,000	1,203,598	8,250,000	3,441,835	16,964,597
Changes in equity								
Shares issued		2	-	-	-	-	-	2
Surplus for the year		-	172,355	-	-	-	3,891,525	4,063,880
Other comprehensive income		-	10,697	-	564,335	-	-	575,032
Transfer to/(from) reserves		-	(125,000)	-	-	-	125,000	-
	21 /							
Balance at 31 December 2017	22	21	3,521,197	606,000	1,767,933	8,250,000	7,458,360	21,603,511

The above consolidated 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 2017

	Note	Consolidated 2017 \$	2016 \$
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Receipts from customers		7,783,153	8,188,122
Receipts from sponsors and donors		9,927,755	6,800,654
Instrument Fund applications		1,594,664	199,998
Interest/dividends received		827,926	649,463
Cash flows from government			
Receipts of government grants		2,502,097	2,996,044
Net GST received		239,767	222,035
Total cash received		22,875,362	19,056,316
Payments			
Payments to employees		(7,371,041)	(7,799,343)
Payments to suppliers		(9,416,370)	(10,455,260)
Total cash used		(16,787,411)	(18,254,603)
Net cash provided by operating activities		6,087,951	801,713
CASH FLOW FROM INVESTING ACTIVITIES			
Receipts			
Proceeds from sales of financial assets		5,011,653	3,072,509
Disposal of available-for-sale investment		102,408	337,053
Total cash received		5,114,061	3,409,562
Payments			
Payments for rare, historical instrument	12	(1,373,986)	-
Payments for property, plant, equipment and intangible assets	11	(52,860)	(143,591)
Purchases of available for sale financial assets	10	(5,044,164)	(9,790,614)
Total cash used		(6,471,010)	(9,934,205)
Net cash (used in) /provided by investing activities		(1,356,949)	(6,524,643)
Net change in cash and cash equivalents		4,731,002	(5,722,930)
Cash and cash equivalents, beginning of year		6,656,782	12,379,712
Cash and cash equivalents, end of year	7	11,387,784	6,656,782

The above consolidated 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 2017

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017

(continued)

Note 1: General information and statement of compliance

The 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 2017.

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 Pty Ltd is a not-for-profit entity for the purpose of preparing the financial statements.

The consolidated financial statements for the year ended 31 December 2017 were approved and authorised for issuance by the Board of Directors on 11 April 2018.

Note 2: Changes in accounting policies

2.1 Changes in accounting policy

In the current reporting period, the parent entity changed the capitalisation threshold for property, plant and equipment and intangible assets. The threshold was increased from \$2,000 to \$5,000 and is included in note 3.11.

2.2 New and revised standards that are effective for these financial statements

A number of new and revised standards became effective for the first time to annual periods beginning on or after 1 January 2017. Information on the more significant standard(s) is presented below.

AASB 2015-6 Amendments to Australian Accounting Standards - Extended Related Party Disclosures to Not-for-Profit Public Sector Entities.

AASB 2015-6 amends AASB 124 *Related Party Disclosures* to extend the scope of that Standard to include not-for-profit sector entities. Key disclosures required under the amendments for not-for-profit public sector entities include:

- Identification of key management personnel (KMO);
- KMP compensation; and
- Identification of related parties and transactions with those related parties

AASB 2015-6 is applicable to annual reporting periods beginning on or after 1 July 2016.

The adoption of this amendment has not had a material impact on the Group.

AASB 2015-7 Amendments to Australian Accounting Standards - Fair Value Disclosures of Not-for-Profit Public Sector Entities.

AASB 2015-7 makes amendments to AASB 13 *Fair Value Measurement* to exempt not-for-profit public sector entities from certain requirements of the Standard. The amendments were made to provide relief for not-for-profit public sector entities from making certain disclosures about the fair value measurement of assets within the scope of AASB 116 Property, Plant and Equipment which are primarily held for their current service potential rather than for the purpose of generating future cash flows.

AASB 2015-7 is applicable to annual reporting periods beginning on or after 1 July 2016.

The adoption of this amendment has not had a material impact on the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2017
(continued)

Note 2: Changes in accounting policy continued

2.2 New and revised standards that are effective for these financial statements continued

AASB 2016-2 Amendments to Australian Accounting Standards - Disclosures Initiative: Amendments to AASB 107

AASB 2016-2 amends AASB 107 *Statement of Cash Flows* to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

AASB 2016-2 is applicable to annual reporting periods beginning on or after 1 January 2017.

The adoption of this amendment has not had a material impact on the Group.

AASB 2016-4 Amendments to Australian Accounting Standards - Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities

This Standard amends AASB 136 *Impairment of Assets* to:

- remove references to depreciated replacement cost as a measure of value in use for not-for-profit entities; and
- clarify that the recoverable amount of primarily non-cash generating assets of not-for-profit entities, which are typically specialised in nature and held for continuing use of their service capacity, is expected to be materially the same as fair value determined under AASB 13 *Fair Value Measurement*, with the consequence that:
 - AASB 136 does not apply to such assets that are regularly revalued to fair value under the revaluation model in AASB 116 *Property, Plant and Equipment* and AASB 138 *Intangible Assets*; and
 - AASB 136 applies to such assets accounted for under the cost model in AASB 116 and AASB 138.

AASB 2016-4 is applicable to annual reporting periods beginning on or after 1 January 2017.

The adoption of this amendment has not had a material impact on the Group.

AASB 2016-7 Amendments to Australian Accounting Standards - Deferral of AASB 15 for Not-for Profit Entities

AASB 2016-7 amends the mandatory effective date of AASB 15 for not-for-profit entities so that AASB 15 is required to be applied by such entities for annual reporting periods beginning on or after 1 January 2019 instead

AASB 2016-7 is applicable to annual reporting periods beginning on or after 1 January 2017.

The adoption of this amendment has not had a material impact on the Group.

AASB 2017-2 Amendments to Australian Accounting Standards - Further Annual Improvements 2014-2016 Cycle

This Standard clarifies the scope of AASB 12 *Disclosures of Interested in Other Entities* by specifying that the disclosure requirements apply to an entity's interest in other entities that are classified as held for sale, held for distribution to owners in their capacity as owners or discontinued operations in accordance with AASB 5 *Non-Current Assets Held for Sale and Discontinued Operations*.

AASB 2017-2 is applicable to annual reporting periods beginning on or after 1 January 2017.

The adoption of this amendment has not had a material impact on the Group.

Note 3: Summary of accounting policies

3.1 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2017
(continued)

Note 3: Summary of accounting policies continued

3.2 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 parent 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. All transactions and balances between Group entities are eliminated on consolidation, including unrealised gains and losses on transactions between Group entities. Amounts reported in the financial statements of controlled entities have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests, external unitholders in the Australian Chamber Orchestra Instrument Fund, are presented as a liability and represent the portion of the surplus or deficit 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.

3.3 Significant management judgements in applying accounting policies

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Estimation uncertainty

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

Impairment

In assessing impairment, management estimates the recoverable amount of each asset or cash generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

Fair value of musical instruments and rare, historical stringed instruments

Management uses 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 reviews its estimates of the useful lives of its depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and IT equipment.

Inventories

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2017
(continued)

Note 3: Summary of accounting policies continued

3.3 Significant management judgements in applying accounting policies continued

Long service leave

Long service leave liability is recognised and measured at the present value of the estimated 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 liquidity risk

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

3.4 Revenue

Revenue comprises revenue from the sale of goods, performance revenue, government grants, fundraising activities and client contributions. Revenue for major activities and services is shown in Note 4.

Revenue is measured by reference to the fair value of consideration received or receivable by the Group for goods supplied and services provided, excluding goods and services tax (GST).

Revenue is recognised when the amount of revenue can be measured reliably, collection is probable, the costs incurred or to be incurred can be measured reliably, and when the criteria for each of the Group's different activities have been met. Amounts disclosed are net of 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 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.

(c) Donations and bequests

Donations are brought to account as received. Bequests are recognised when the legacy is received. Revenue from donations or bequests of shares or other property are recognised at fair value, being the market value of the shares or property at the date the Group becomes legally entitled to the shares or property.

(d) Government 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 Group is eligible to receive the contribution, recognition of the grant as revenue is deferred until those conditions are satisfied.

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

Where a grant is received on the condition that specified services are delivered, to the grantor, this is considered a reciprocal transaction. Revenue is recognised as services are performed and at year end until the service is delivered.

Where a grant may be required to be repaid if certain conditions are not satisfied, a liability is recognised at year end to the extent that conditions remain unsatisfied.

(e) Interest and dividend income

Interest income is recognised on an accrual basis using the effective interest method. Dividend income is recognised when the dividend is received.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2017
(continued)

Note 3: Summary of accounting policies continued

3.5 Income Tax

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

The Australian Chamber Orchestra Instrument Fund Pty Ltd is subject to tax. The company 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/(income) for the year comprises current income tax expense/(income) and deferred tax expense/(income).

Current income tax expense charged to surplus or deficit 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.

The company tax rate has been reduced to 27.5% for income year commencing on 1 July 2016 for small businesses which applies to the Australian Chamber Orchestra Instrument Fund for year ended 31 December 2017 (2016: 28.5%).

3.6 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

3.7 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 may not be able to collect the debt. Bad debts are written off when identified.

3.8 Inventories

Inventories comprise goods for resale and are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less any applicable selling expenses. Costs are assigned to individual items of stock on the basis of weighted average costs.

3.9 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.

3.10 Available-for-sale financial assets

Available-for-sale assets are those non-derivative 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2017
(continued)

Note 3: Summary of accounting policies continued

3.10 Available-for-sale financial assets continued

After initial recognition available-for-sale financial assets are measured at fair value with gains or losses being recognised in other comprehensive income and reported 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 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.

3.11 Property, plant and 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 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. Any revaluation surplus remaining in equity on disposal of the assets is transferred to retained earnings.

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

Musical Instruments held by the parent entity are considered to have an extremely long useful life and the directors are of the opinion that depreciation should not be recognised for these assets. The decision not to recognise depreciation for these assets will be reviewed annually. In 2017, the directors are of the opinion that depreciation should not be recognised on these assets as the depreciation is immaterial.

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 following useful lives are applied:

- musical instruments: 100-400 years
- leasehold improvements: life of lease
- plant and equipment: 3-10 years

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2017
(continued)

Note 3: Summary of accounting policies continued

3.11 Property, plant and equipment continued

Capitalisation threshold

Property, plant and equipment and intangible assets costing \$5,000 (2016: \$2,000) and above, individually or forming a group of parts or components costing more than \$5,000 (2016: \$2,000) are capitalised.

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 surplus or deficit within other income or other expenses.

3.12 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. Depreciation is not recognised on these assets due to their extremely long useful life and as they are held for capital appreciation. 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 fair 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 other comprehensive income as a change in fair value of rare, historical stringed instruments.

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

3.13 Intangible assets

Software and website developments are capitalised on the basis of the costs incurred to acquire and install the specific software.

Costs include 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.

All intangible assets are accounted for using the cost method whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing as described in Note 3.11. The following useful lives are applied:

- software: 3-5 years
- website: 3-5 years

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

3.14 Leases

Operating leases

Where the Group is a lessee, payments on operating lease agreements are recognised as an expense on a straight line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2017
(continued)

Note 3: Summary of accounting policies continued

3.15 Employee benefits

Short-term employee benefits

Short-term employee benefits are benefits, other than termination benefits, that are expected to be settled wholly within twelve (12) months after the end of the period in which the employees render the related service. Examples of such benefits include wages and salaries. Short-term employee benefits are measured at the undiscounted amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The Group's liabilities for annual leave and long service leave are included in other long-term benefits as they are not expected to be settled wholly within twelve (12) months after the end of the period in which the employees render the related service. They are measured at the present value of the expected future payments to be made to employees. The expected future payments incorporate anticipated future wage, salary levels, estimates of attrition rates and periods of service, and are discounted at rates determined by reference to market yields at the end of the reporting period on Australian Government bonds that have maturity dates that approximate the timing of the estimated future cash outflows. Employee benefits oncost provision includes leave whilst on leave. Any re-measurements arising from experience adjustments and changes in assumptions are recognised in surplus or deficit in the periods in which the changes occur.

The Group presents employee benefit obligations as current liabilities in the statement of financial position if the Group does not have an unconditional right to defer settlement for at least twelve (12) months after the reporting period, irrespective of when the actual settlement is expected to take place.

Post-employment benefits plans

The Group provides post-employment benefits through a number of independent defined contribution plans.

The Group has no legal or constructive obligations to pay contributions in addition to its fixed contributions, which are recognised as an expense in the period that relevant employee services are received.

3.16 Provision for liquidity risk

The provision for liquidity risk 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.

3.17 Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO) when it is recognised as part of the cost of acquisition of an asset or as part of the expense. Receivables and payables in the Statement of Financial Position 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.

3.18 Economic dependence

The Group is dependent upon the ongoing receipt of Federal and State Government grants and community and corporate donations to ensure the ongoing continuance of its programs. At the date of this report management has no reason to believe that this financial support will not continue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2017
(continued)

		Consolidated	
		2017	2016
		\$	\$
Note 4: Revenue	Note		
Note 4(a) - Performance revenue			
Subscriptions		4,103,147	4,064,440
Single ticket sales		3,031,681	2,623,049
Concert fees - Domestic		85,268	136,335
Concert fees - International		344,663	433,514
Other performance revenue		191,405	91,460
		7,756,164	7,348,798
Note 4(b) - Sponsorship and donation revenue			
Sponsorships		1,797,024	1,858,285
Donations - General		3,995,059	3,879,343
Donations - New Premises Project		3,815,000	350,000
Donations - Musical Instrument		-	1,759,161
Fundraising		751,251	846,873
		10,358,334	8,693,662
Note 4(c) - Government funding revenue			
Australia Council for the Arts - Major Performing Arts Fund		1,920,209	1,893,697
Australia Council for the Arts - Project Funding		-	20,000
Create NSW - Core Funding		198,470	198,470
Create NSW - Project Funding		82,798	111,074
Federal Ministry of Arts Funding		-	220,000
Other government grants		207,371	121,962
		2,408,848	2,565,203
Note 4(d) - Other revenue			
Interest and dividends received		802,811	590,269
Foreign exchange gain/(losses)		38,793	(34,331)
Profit on disposal of available-for-sale investment		102,408	337,053
Other revenue		150,609	116,075
		1,094,621	1,009,066
Note 5: Expenses			
The surplus / (deficit) for the year includes the following specific items:			
Amount of inventories recognised as an expense		15,176	132,745
Depreciation expense	11	125,277	222,353
Amortisation expense	11	76,837	89,282
Impairment recognised in surplus:			
Property, plant and equipment and intangible assets		-	196,372
Deficit on disposal of plant and equipment		-	1,706
Deficit on disposal of available-for-sale investments		96,050	29,517
Provision for liquidity risk (benefit)/expense		(35,504)	168,918

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2017
(continued)

	Consolidated	
	2017	2016
	\$	\$
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 27.5% for year ended 31 December 2017 (2016: 28.5%) and the reported tax expense in surplus or deficit are as follows:		
Surplus / (deficit) before tax	4,069,159	940,588
Domestic tax rate	27.5%	28.5%
Expected tax expense	1,119,019	268,068
Adjustment for tax-exempt income:		
Relating to not for profit status of parent entity	(1,130,329)	(262,237)
Restatement prior year deferred tax calculation due to change in income tax rate to 27.5% for the year ended 31 Dec 2017 (2016: 28.5%)	(24,036)	(33,227)
Prior year overprovision for income tax	-	(285)
Relating to provision for liquidity risk	(5,781)	48,142
Tax (benefit)/expense	(41,127)	20,461
Tax expense comprises:		
Current tax income	-	-
Deferred tax expense	(4,150)	(4,119)
Origination of temporary differences	(24,036)	24,580
Tax (benefit)/expense	(28,186)	20,461
Note 7: Cash and cash equivalents		
Cash at bank and on hand	339,155	350,474
Short term deposits	11,087,422	6,306,308
	11,426,577	6,656,782
Note 8: Trade and other receivables		
Trade receivables	100,817	104,728
Interest receivable	33,468	58,583
GST receivable	160,858	175,614
Other receivables	422,742	87,578
	717,885	426,503
Note 9: Inventories		
CDs, DVDs and books on hand		
at net realisable value	17,447	21,541
	17,447	21,541
Current	5,796	7,157
Non-current	11,651	14,384
	17,447	21,541

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2017
(continued)

		Consolidated	
		2017	2016
	Note	\$	\$
Note 10: Available-for-sale financial assets			
Financial assets		<u>13,460,612</u>	<u>12,863,242</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		12,863,242	6,321,020
Additions		5,044,164	9,790,614
Disposals		(5,036,653)	(3,072,509)
Revaluation increments/(decrements)		589,859	(175,883)
Closing balance		<u>13,460,612</u>	<u>12,863,242</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		545,981	435,928
Accumulated amortisation		<u>(411,672)</u>	<u>(337,852)</u>
		<u>134,309</u>	<u>98,076</u>
Plant & equipment			
Plant and equipment - at cost		2,463,275	2,410,415
Accumulated depreciation		<u>(2,392,881)</u>	<u>(2,267,604)</u>
		<u>70,394</u>	<u>142,811</u>
At fair value:			
Musical instruments			
Musical instruments - at fair value		2,904,128	2,904,128
Accumulated depreciation	3.11	<u>-</u>	<u>-</u>
		<u>2,904,128</u>	<u>2,904,128</u>
Total property, plant and equipment		<u>3,108,831</u>	<u>3,145,015</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017

(continued)

Note 11: Property, plant & equipment (continued)

Reconciliation of the opening and closing balances

	Leasehold Improve- ments (at cost) \$	Plant & Equipment (at cost) \$	Musical Inst- ruments (at fair value) \$	TOTAL \$
Carrying amount at 1 January 2017	98,076	142,811	2,904,128	3,145,015
Additions	110,053	52,860	-	162,913
Impairment	-	-	-	-
Depreciation / amortisation	(73,820)	(125,277)	-	(199,097)
Carrying amount at 31 December 2017	134,309	70,394	2,904,128	3,108,831

Depreciation & Amortisation

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. Musical Instruments are held at fair value and not depreciated on the basis that the depreciation for the current year is immaterial. Refer to note 3.11 for further detail on the accounting policy on depreciation and amortisation for property, plant and equipment.

Revaluations

Musical instruments were revalued in 2016 by independent valuers, previously they were revalued at 31 December 2011. The pianos were revalued at 18 October 2016 by Theme & Variations Piano Services. The *Giuseppe Guarneri 'filius Andreae' cello* was valued by the Australian Tax Office on 28 June 2016. The Harpsichord was valued by Bill Bright on 11 October 2016 and the Double Bass by Cincinnati Bass Cellar for 31 December 2016. Other stringed instruments and bows were valued by Peter Biddulph on 13 October 2016. The directors are of the opinion the carrying value of the instruments do not differ significantly from their fair value at 31 December 2017.

	Consolidated 2017 \$	2016 \$
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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		5,857,797	5,664,063
Acquisitions - Amati Cello	12(a)	1,373,986	-
Acquisitions - Guarneri Violin	12(b)	(149,983)	-
Net (loss)/gain in the fair value through other comprehensive income	12(c)	(61,519)	193,734
		7,020,281	5,857,797

Rare, historical stringed instruments are valued periodically by registered valuers and the *Stradivarius 1728/29 violin* and the *Guarneri 1714 violin* were valued in March 2017 (2016: 2 May 2014) by Peter Biddulph Ltd. (London); J&A Beare Ltd. (London) and Tarisio Fine Instruments and Bows (London and New York). These valuations were provided in US dollars. The directors of the Instrument Fund 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 31 March 2017. On 3 May 2017 the Fund agreed to purchase the *1616 Brothers Amati Cello* from the ACO, which included a valuation in US dollars. At 31 December 2017, the directors reviewed the fair value of these instruments and determined the fair value to be appropriate.

The fair value of the instruments shown as at 31 December 2017 reflects the most recent formal valuation and the AUD/USD exchange rate as at 30 June 2017. The directors of the parent are of the opinion that the June 2017 value remains appropriate for 31 December 2017, notwithstanding any subsequent change in the exchange rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2017
(continued)

Note 12: Investments in rare, historical stringed instruments continued

12(a) Acquisitions - Amati Cello

On 3 May 2017 the Instrument Fund agreed to purchase a rare *1616 Brothers Amati Cello* for \$1,373,986 excluding GST and \$1,511,384 including GST (2016: \$Nil). The *1616 Brothers Amati Cello* was purchased from the Australian Chamber Orchestra Pty Ltd.

12(b) Acquisitions - Guarneri Violin

In February 2017 the Instrument Fund registered for GST and backdated registration to 1 January 2014. This change enabled the Fund to complete an activity statement for the 12 March 2014 purchase of *Guarneri 1714 Violin* for the GST to be refunded. The GST to be refunded is \$149,983 and is shown as a decrease in acquisition cost. This adjustment originated in 2014 and is adjusted in 2017.

12(c) Net (loss)/gain from fair value adjustment through comprehensive income

The adjustment in 2017 consists of two components, a gain from fair value adjustment for the *Guarneri 1714 Violin* of \$149,983 (see note 12b), plus a loss from fair value adjustment relating to the 2017 financial year of \$211,502.

	Consolidated	
	2017	2016
	\$	\$
Note 13: Intangible assets		
Software		
Software - at cost	423,884	423,884
Accumulated amortisation	(421,659)	(418,642)
	<u>2,225</u>	<u>5,242</u>
Website		
Website - at cost	772,059	772,059
Accumulated amortisation	(772,059)	(772,059)
	<u>-</u>	<u>-</u>
Total intangible assets	<u>2,225</u>	<u>5,242</u>

Reconciliation of the opening and closing balances

	Software	Website	TOTAL
	\$	\$	\$
Carrying amount at 1 January 2017	5,242	-	5,242
Additions	-	-	-
Impairment	-	-	-
Amortisation expense	(3,017)	-	(3,017)
Carrying amount at 31 December 2017	<u>2,225</u>	<u>-</u>	<u>2,225</u>

The straight line method is used to amortise Software. An impairment review of the Website was undertaken during the year ended 31 December 2017. Amortisation and impairment is included in the overhead expenses line in the Consolidated Statement of Surplus or Deficit and Other Comprehensive Income.

	Consolidated	
	2017	2016
	\$	\$
Note 14: Trade and other payables		
Trade creditors	474,508	367,605
Accrued expenses	496,976	237,622
Other payables	284,592	436,353
	<u>1,256,076</u>	<u>1,041,580</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017

(continued)

	Consolidated	
	2017	2016
	\$	\$
Note 15: Liability to external unitholders		
Movement in the liability to external unitholders in the Australian Chamber Orchestra Instrument Fund ("the Fund") during the period were as follows:		
Opening balance	2,967,759	2,733,052
Applications	1,594,664	199,998
Adjustment for brought forward profits attributable to current unitholders	173,403	33,817
Current year total comprehensive (loss)/income attributable to external unitholders	(287)	892
Closing balance	4,735,539	2,967,759
Current year total comprehensive income attributable to external unitholders:		
Income/(deficit)	46,406	(115,930)
Other comprehensive (deficit)/income	(46,693)	116,822
	(287)	892

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 unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability. The amounts of net assets attributable to unitholders 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 second withdrawal window was 1-21 July 2017 and no redemptions were received. The next opportunity will be on 1 July 2020.

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. There were no distributions paid or payable during the year or at 31 December 2017.

	Consolidated	
	2017	2016
	\$	\$
Note 16: Other provisions		
Reconciliation of other provisions:		
Opening balance	1,308,741	1,098,061
Provided during the year	109,304	210,680
Closing balance	1,418,045	1,308,741
Analysis of employee benefits:		
Current:		
Provision for employee benefits	659,635	715,087
	659,635	715,087
Non-current:		
Provision for employee benefits	648,357	593,654
Make good provision	110,053	-
	758,410	593,654

Note 17: Grant liabilities

Australia Council for the Arts – Project Funding	50,000	-
Create NSW – Project Funding	-	82,798
Other federal government grants	170,000	-
Playing Australia	173,684	217,637
	393,684	300,435

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2017
(continued)

	Consolidated	
	2017	2016
	\$	\$
Note 18: Unearned revenue		
Subscription series revenue in advance	4,292,132	4,100,841
Ticket income in advance	727,910	726,324
Sponsorships in advance	623,458	713,662
Other unearned revenue	26,199	17,938
	5,669,699	5,558,765

Note 19: Provision for liquidity risk

Provision for liquidity risk	576,618	612,122
Provision cost per unit	\$ 0.14	\$ 0.18

The provision for liquidity risk 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	
	2017	2016
	\$	\$
Note 20: Deferred tax liabilities		
Deferred tax liabilities arising from temporary differences can be summarised as		
Investment in rare, historical stringed instruments at 1 January 2017	685,005	664,544
Adjustment for tax rate change from 28.5% to 27.5% (2016: 30% to 28.5%)	(24,036)	(33,227)
Change in fair value of musical instruments recognised in comprehensive income	(16,918)	55,214
Deferred tax timing differences	(172)	(1,526)
Closing Balance at 31 December 2017	643,879	685,005

	Number of Shares	Number of Shares
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Note 21: Share capital

Authorised:

Ordinary shares of \$1 each	100	100
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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	21	19
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2017
(continued)

	Consolidated	
	2017	2016
	\$	\$
Note 22: Reserves and accumulated surpluses		
Reserves		
Asset revaluation:		
Investments	675,387	96,225
Surplus to external unitholders	(643,875)	(690,567)
Musical instruments	1,736,421	1,797,940
Special purpose	8,250,000	8,250,000
Reserve Incentive Funding Scheme	606,000	606,000
Capital Challenge	3,521,197	3,463,145
	14,145,130	13,522,743

Surplus to external unitholders consist of:

This is another component of equity. It represents the external unitholders share of the movement in fair value in rare, historical stringed instruments which is recognised in other comprehensive income rather than surplus or deficit for the year.

Special purpose reserves consist of:

- 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. The next withdrawal opportunity will be 1 July 2020.

- 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.

Reserve Incentive Funding Scheme consists of:

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 consist of:

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

During the year the Capital Challenge earned net income of \$172,355 (2016: Net Income of \$374,222) and had unrealised gain of \$10,697 (2016: Unrealised loss of \$154,303).

During the year the company transferred \$125,000 (2016: \$105,000) from the Capital Challenge Reserve to Accumulated Funds towards new works.

	Consolidated	
	2017	2016
	\$	\$
Accumulated surpluses	7,458,360	3,615,240
Reconciliation of movement during the year		
Opening balance	3,615,240	2,903,512
Prior period adjustment	(173,405)	(33,305)
Surplus for the year	3,891,525	661,835
Transferred to reserves	125,000	83,198
Closing balance	7,458,360	3,615,240

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2017
(continued)

	Note	Consolidated	
		2017	2016
		\$	\$
Note 23: Fair value measurement			
23.1 Fair value measurement of financial assets			
Listed securities		5,174,744	6,703,835
Investment funds		8,285,868	6,159,407
Net fair value		13,460,612	12,863,242

The fair value of listed securities is their market price at the reporting date.
The fair value of investment funds is provided by the fund manager.

Reserves are invested in line with the parent entity's Investment Policy Statement.

23.2 Fair value measurement of non-financial assets

Property, plant & equipment

Rare, historical stringed instruments	12	7,020,281	5,857,797
Property, plant and equipment - Musical instruments	11	2,904,128	2,904,128
		9,924,409	8,761,925

The *Stradivarius 1728/29 violin* and the *Guarneri 1714 violin* were revalued on 31 March 2017 (2016: 2 May 2014) and 1616 Brothers Amati Cello on 3 May 2017. The musical instruments were revalued for the year ended 31 December 2016. Refer to Note 11 for further details.

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

Note 24: Commitments for expenditure

	Consolidated	
	2017	2016
	\$	\$
Operating leases		
Total future minimum lease payments under non-cancellable operating leases payable:		
Within one year	195,813	181,312
Later than one and not later than five years	344,006	488,021
	539,819	669,333

Commitments are GST inclusive where relevant.

Operating leases included are effectively non-cancellable and comprise of monthly rental agreements for office equipment expiring between July 2016 and August 2022. The office premises lease expires in November 2019 and is 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 THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017

(continued)

	Consolidated	
	2017	2016
	\$	\$

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	<u>150,000</u>	<u>150,000</u>
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Note 26: Related party transactions

Controlled entities

The Australian Chamber Orchestra Instrument Fund Pty Ltd was a controlled entity at 31 December 2017. 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 2017, the entity held cash of \$12 (2016: \$9), 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 2017. The entity was formed on 14 July 2011. As at 31 December 2017, the entity held cash of \$6,704 (2016: \$96,936).

As at 31 December 2017, the entity had issued 4,139,492 units (2016: 3,326,632) and the Australian Chamber Orchestra Pty Ltd held 995,640 units (2016: 1,321,826).

The Instrument Fund Board undertook a Formal Valuation of the current units and agreed at the 10 April 2017 Board meeting the current unit price of \$1.40 (2016:\$1.40) should remain unchanged. The Board decided to undertake an Informal Valuation on 24 May 2017 in advance of the July 2017 withdrawal period and resolved the unit price would remain \$1.40 for the July 2017 withdrawal window and therefore remained appropriate for the year ended 30 June 2017.

	Reporting	Ownership
Name of controlled entity	Date	Interest
Australian Chamber Orchestra Instrument Fund Pty Ltd	30 June	0%
Australian Chamber Orchestra Instrument Fund	30 June	24.1%

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.

On 3 May 2017 the Fund agreed to purchase a rare *1616 Brothers Amati Cello* for \$1,373,986 excluding GST and \$1,511,384 including GST. The *1616 Brothers Amati Cello* was purchased from the Australian Chamber Orchestra Pty Ltd (ACO) in exchange for 812,860 units valued at \$1.40 in the Fund, cash of \$86,000, promissory note one of \$137,398 to the ACO to be paid once the ATO refund of the GST on *1616 Brothers Amati Cello* received (later repaid to the ACO on 8 August 2017) and promissory note two of \$149,983 to the ACO to be paid once the ATO refund GST on the *1714 Guarneri Violin* was received (later repaid to the ACO on 6 July 2017).

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 \$132,443 (2016: \$123,490) on behalf of Australian Chamber Orchestra Instrument Fund Pty Ltd during the year ended 31 December 2017.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2017
(continued)

Note 26: Related party transactions (continued)

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

2017 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	280,000	4.83%	-
Alochan Pty Ltd							
ATF Sharetrust *	100,000	-	-	100,000	140,000	2.42%	-
WD Best	100,000	-	-	100,000	140,000	2.42%	-
Total	400,000	-	-	400,000	560,000	9.67%	-

2016 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	280,000	6.01%	-
Alochan Pty Ltd							
ATF Sharetrust *	100,000	-	-	100,000	140,000	3.01%	-
WD Best	100,000	-	-	100,000	140,000	3.01%	-
Total	400,000	-	-	400,000	560,000	12.03%	-

* Andrew Stevens ceased to be a director on 27 April 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2017
(continued)

	Parent Entity	
	2017	2016
	\$	\$
Note 27: Parent entity information		
Information relating to Australian Chamber Orchestra Pty Ltd		
Current assets	27,392,027	22,157,287
Non-current assets	3,111,056	3,150,257
Total assets	30,503,083	25,307,544
Current liabilities	7,807,022	7,440,243
Non-current liabilities	758,410	593,654
Total liabilities	8,565,432	8,033,897
Net assets	21,937,651	17,273,647
Share capital	15	14
Reserves	14,053,363	13,498,336
Accumulated funds	7,884,273	3,775,297
Total equity	21,937,651	17,273,647
Surplus for the year	4,156,346	1,149,216
Total comprehensive income for the year	4,664,003	1,313,525

Note 28: Contingent liabilities

There are no contingent liabilities that have been incurred by the Group in relation to 2017 or 2016.

Note 29: Post-reporting date events

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

Note 30: 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.

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

In the opinion of the Directors of the Australian Chamber Orchestra Pty Limited:

- (a) The consolidated financial statements and notes of Australian Chamber Orchestra Pty Limited are in accordance with the Australian Charities and Not-for-profits Commission Act 2012, including:
 - i - Giving a true and fair view of its financial position as at 31 December 2017 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 Australian Charities and Not-for-profits Commission Act 2012; and
- (b) There are reasonable grounds to believe that the Australian Chamber Orchestra Pty Limited is able to pay its debts, as and when they become due and payable.

Signed in accordance with a resolution of the Directors



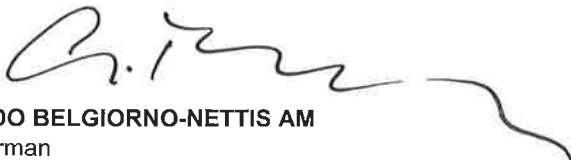
GUIDO BELGIORNO-NETTIS AM
Director

11 April 2018

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

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

- (a) the accounts for the year ended 31 December 2017, give a true and fair view of all income and expenditure of Australian Chamber Orchestra Pty Limited with respect to fundraising appeals; and
- (b) the statement of financial position as at 31 December 2017 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 Limited are appropriate and effective in accounting for all income received and applied from any of its fundraising appeals.



GUIDO BELGIORNO-NETTIS AM
Chairman

11 April 2018



Independent Audit Report

To the members of the Australian Chamber Orchestra Pty Limited

Report on the financial report

Opinion

I have audited the financial report of the Australian Chamber Orchestra Pty Limited, which comprises the consolidated statement of financial position as at 31 December 2017, 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, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In my opinion the financial report of the Australian Chamber Orchestra Pty Limited has been prepared in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

- (a) Giving a true and fair view of the registered entity's consolidated position as at 31 December 2017 and of its financial performance and cash flows for the year ended; and
- (b) Complying with Australian Accounting Standards and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the registered entity in accordance with the auditor independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012* (ACNC Act) and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other Information

Those charged with governance are responsible for the other information. The other information comprises the information included in the registered entity's annual report for the year ended 31 December 2017, but does not include the financial report and my auditor's report.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion.

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Independent Audit Report

To the members of the Australian Chamber Orchestra Pty Limited

Other Information continued

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information; I am required to report that fact. I have nothing to report in this regard.

Directors' Responsibility for the Financial Report

The Directors of the registered entity are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the ACNC Act, and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, Directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the registered entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the registered entity's financial reporting process.

Auditor's Responsibility for Audit of the Financial Report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent Audit Report

To the members of the Australian Chamber Orchestra Pty Limited

Auditor's Responsibility for Audit of the Financial Report continued

- Obtain an understanding of internal control relevant to the audit 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 registered entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the registered entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. My conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the registered entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



STEVEN J MILLER & CO

Chartered Accountant



S J MILLER

Registered Company Auditor

No 4286

Sydney

Dated 12 / 4 / 18