

**Australian Chamber Orchestra Pty
Limited and its controlled entities**

ABN 45 001 335 182

**Annual report
for the year ended 31 December 2022**

Australian Chamber Orchestra Pty Limited and its controlled entities

ABN 45 001 335 182

Annual report - 31 December 2022

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Australian Chamber Orchestra Pty Limited and its controlled entities
Directors' report
31 December 2022

The directors present the report on the consolidated entity consisting of Australian Chamber Orchestra Pty Limited (the "company") and its controlled entities at the end of, or during, the year ended 31 December 2022. Throughout the report, the consolidated entity is referred to as the group.

Directors

The following persons were directors of Australian Chamber Orchestra Pty Limited during the whole of the financial year and up to the date of this report:

G Belgiorno-Nettis AM
E Lewin
J Fisher
J Crawford
E Flaherty
S D Yeo
M Myer AO
J Steiner AM
M Haysom (appointed 2 March 2022)
H Ridout AO (resigned 2 March 2023)
W D Best (resigned 27 April 2022)
A Lee (resigned 24 June 2022)
J G Taberner (resigned 24 June 2022)
P Shorthouse (resigned 23 November 2022)
J Kench (resigned 12 February 2023)

Principal activities

During the year, the principal activities of the parent company, being the presentation of musical performances to Australian and international audiences, became enhanced with the addition of a new home for the orchestra in Sydney's Walsh Bay with performance, event, rehearsal and practice facilities. Our new home allowed the parent company incremental presentation opportunities, in addition to commercial and non-commercial hiring by third parties for events, theatrical and musical presentations.

The group continued to operate an unregistered, wholesale, managed investment fund investing in rare, historical, high-quality stringed instruments.

Dividends

No dividends have been paid during the financial year. The directors do not recommend that a dividend be paid in respect of the financial year (2021: \$nil).

Operating result

The underlying general operations is a trading deficit as per extracts which follow.

The general operations trading deficit of \$2,428,601 (2021: \$2,138,034 deficit) is before the 2022 non-recurring and capital-in-nature impacts of a \$979,703 deficit (2021: \$8,788,348 surplus), which consists of:

- Non-recurring COVID support income of \$429,826 (2021: \$2,361,303), made up of:
 - NSW State Government support solely in response to COVID \$395,894 (2021: \$1,733,824 includes both Federal and NSW government); and
 - Generous one-off ticket donations from our patrons for cancelled prior year live performances due to COVID \$33,932 (2021: \$627,479).
- Capital-in-nature net \$1,409,529 loss (2021: \$6,427,044 income), consisting of:
 - Bequests of \$217,861 (2021: \$1,405,431 surplus),
 - Realised net investment earnings of \$1,319,779 (2021: \$1,208,737 surplus),
 - Recognition of an unrealised loss on financial securities due to market turmoil due to global factors in 2022 of \$3,749,624 (2020: \$1,355,867 surplus) as at 31 December,
 - Revaluation increment on ACO owned musical instrument valuations of \$1,077,763 (2021: \$182,566 deficit), and

Operating result (continued)

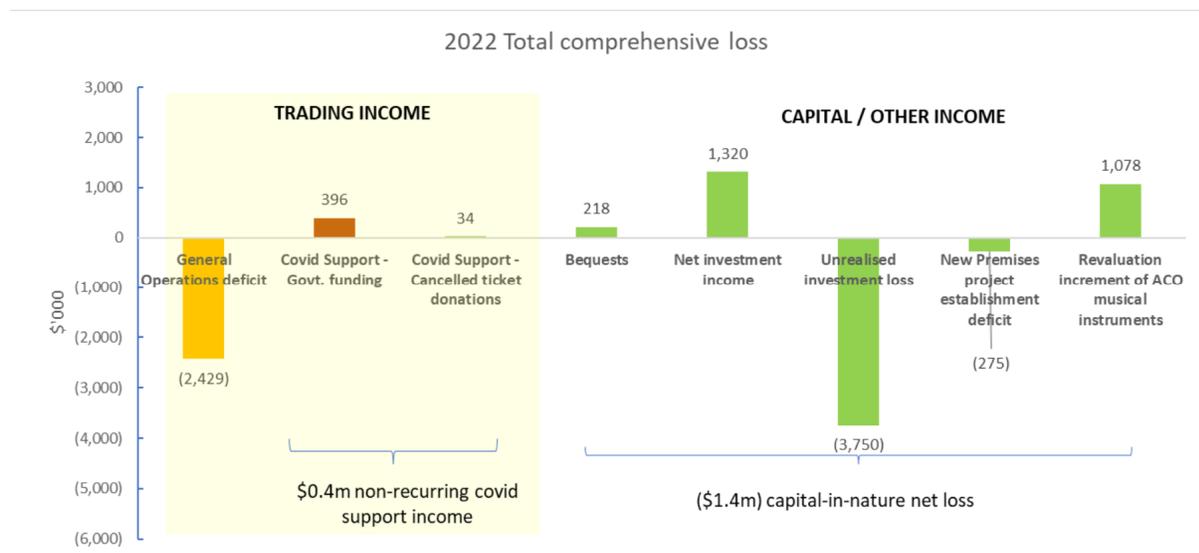
- Net deficit contribution for the establishment of ACO New Premises at Pier 2/3 after donations and direct establishment expenditure (including Pier 2/3 depreciation and lease interest) of \$275,306 (2021: \$2,274,444 surplus).

Once these non-recurring and capital-in-nature items are included, the 2022 overall total comprehensive loss for the year is \$3,408,304 (2021: \$6,650,314 income).

The long-tail of COVID-impacts remain, whilst attendances and attendant box office revenues are beginning to show signs of recovery, there is some risk in our forward program and will be some period of time before the company returns to its pre-COVID levels.

New and additional technical, facility, marketing and support costs incurred in the operations of the new home in Walsh Bay will take several years to stabilise as a new commercial model and market is established. Furthermore, unpredictable market conditions and inflationary wage and cost pressures are impacting the company and the wider sector. The parent does have cash and other reserves to continue as a going concern.

Consistent with our not-for-profit status, any surpluses are reinvested in the mission of the Australian Chamber Orchestra.



Australian Chamber Orchestra Pty Limited and its controlled entities
Directors' report
31 December 2022
(continued)

Operating result (continued)

Extract of Consolidated Statement of (Deficit)/Surplus and Other Comprehensive (Loss)/Income

	2022	2021
	\$	\$
General operations trading deficit	(2,428,701)	(2,138,034)
Non-recurring COVID support income:		
COVID support - government revenue funding	395,894	1,733,824
COVID support - cancelled ticket donations	33,932	627,479
Total non-recurring COVID support income	429,826	2,361,303
Capital-in-nature net income:		
Bequests	217,861	1,405,431
Net investment income (unrestricted)	1,319,877	1,208,737
Unrealised investment (loss)/gain	(3,749,624)	1,355,867
Revaluation increment of ACO musical instruments	1,077,763	182,566
New premises project – donations	1,950,503	2,674,896
New premises project – establishment expenditure	(938,166)	(400,452)
New premises project – depreciation and lease interest expense	(1,287,643)	-
New premises project - net contribution (deficit)/surplus	(275,306)	2,274,444
Total capital-in-nature net (loss)/income	(1,409,429)	6,427,045
Total comprehensive (loss)/income for the year	(3,408,304)	6,650,314

Summarised Extract of Consolidated Statement of Surplus and Other Comprehensive (Loss)/Income

	2022	2021
	\$	\$
General operations trading deficit	(2,428,701)	(2,138,034)
Non-recurring impacts:		
Non-recurring COVID support income	429,826	2,361,303
Capital-in-nature net income	(1,409,429)	6,427,045
	(979,603)	8,788,348
Total comprehensive (loss)/income for the year	(3,408,304)	6,650,314

Significant changes in the state of affairs

On 11 March 2022, the ACO signed the lease documentation for our new premises at Pier 2/3 in the Walsh Bay precinct with the NSW Government. From this date substantial contractual, capital payments owing to the NSW Government for these new premises commenced. In addition, since the commencement of 2022, the ACO has continued to incur substantial additional transitional costs in relation to our longer-term occupancy of Pier 2/3, which include furniture's, fittings and other relocation establishment costs. The ACO will draw down on its restricted reserves to meet these obligations in 2022 and in subsequent financial years, likely to be circa \$21 million.

The ACO completed its move into its new registered office, at Suite 3, 13A Hickson Road, Dawes Point, NSW 2000 on 28 March 2022.

With new premises complete and delivered, a new operational model, incorporating its impacts and opportunities, is in development.

Event since the end of the financial year

No matter or circumstance has arisen since 31 December 2022 that has significantly affected the group's operations, results or state of affairs, or may do so in future years.

Likely developments and expected results of operations

The directors expect that the group will continue to carry out its principal activities as detailed above. There are no other known or likely developments which the directors foresee which the directors wish to disclose at this time.

Environmental regulation

The group is not affected by any significant environmental regulation in respect of its operations.

Information on directors

Mr G Belgiorno-Nettis AM (BE Civil UNSW; MBA AGSM; FIEAust) **Chairman** **Non-Executive Director since 6 May 1996**

Guido Belgiorno-Nettis is founding Chairman 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 Chairman of Tempo Australia, and Non-Executive Director of Balmoral Pastoral. He is Managing Director of the now passive investment company, Transfield Holdings Pty Ltd which in 2003 - 2015 changed its business model from a multi-disciplined Engineering and Construction company to a private equity enterprise. 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: Non-Executive Director - Transurban Limited, 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.

In philanthropy Guido has been Chairman of the Biennale of Sydney and President of the Art Gallery NSW Trust. Guido was awarded 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), won the 2011 Farr 40 World Championship, and also won the 2019 Rolex New York Yacht Club Invitational Cup.

Information on directors (continued)

Ms E Lewin
Deputy Chair
Non-Executive Director since 12 June 2009

Elizabeth Lewin 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 Argo Investment Limited and Kaldor Public Art Projects and is a Trustee and the Treasurer of St Vincent's Clinic Foundation and Trustee to the Art Gallery of NSW. She is also a member of the Investment Advisory Committee to the Australian Olympic Foundation which supports the operation of the Olympic movement in Australia. Prior executive roles included Chief Executive Officer of UBS Wealth Management Australia (2005 - 2009) and Head of UBS Wealth Management UK (1999 - 2004). She is a member of Chief Executive Women (CEW) and an Ambassador of Australian Indigenous Education Fund (AIEF).

Ms J Fisher
Non-Executive Director since 4 November 2021

JoAnna Fisher is a company and not for profit director with extensive international financial services experience in investment management, institutional banking, capital markets, superannuation, and corporate transactions. JoAnna is a Director of the Australian Chamber Orchestra Instrument Fund Pty Limited and Chairman since 15 March 2022 and Chair and independent Director of Colonial First Statement Investments. She was previously a Non-Executive Director of Mainstream Group (MAI.ASX) and Quantum Funds Management and Chairman of and Independent Non-Executive Director of Morphic Ethical Equities (MEC.ASX) and independent committee member of the Australian Catholic Superannuation and Retirement Fund. Prior executive roles included Senior executive at Commonwealth Wholesale Bank and Bankers Trust in Tokyo, New York and London.

Ms J Crawford
Non-Executive Director since 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 have 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. 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 the 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.

Ms E Flaherty
Non-Executive Director since 4 September 2020

Erin Flaherty's career spans over 30 years in both private and Government sectors, with extensive experience in corporate governance, finance, major infrastructure projects and law. She is a past Board and Council member of the Australian Youth Orchestra and was also a member of the Sydney Symphony Council. Erin is currently the Chair of Moorebank Intermodal Company, with responsibility for the construction of the Moorebank Intermodal Logistics Park in South Western Sydney. She is a non-executive director of The Infrastructure Fund, Venues NSW and the NSW Police Citizens Youth Clubs. Her previous roles included Deputy CEO at Reliance Rail, Executive Director at Infrastructure NSW, Guardian of the Board for the Commonwealth Future Fund, and a founding Board Member of the Sydney Metro Authority - Australia's largest public transport infrastructure program. Erin was appointed a Director of the Australian Chamber Orchestra Instrument Fund Pty Ltd on 23 February 2023.

Information on directors (continued)

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

Simon Yeo has worked in the Stockbroking industry since 1993 and 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 Australian Chamber Orchestra 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.

Mr M Myer AO
Non-Executive Director since 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 and Doherty Institute. He also sits on the boards of the Australian Chamber Orchestra and Watertrust Australia. At the end of 2020 Martyn stepped down from his role as President of The Myer Foundation after eleven years and at the end of December 2019 from his role as Deputy Chancellor of the University of Melbourne after eleven years on the council and the board of the Melbourne Theatre Company. In October 2016, Martyn stepped down as Chairman of Myer Family Investment Pty Ltd, the collective Myer family investment group. 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 Master 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).

Ms J Steiner AM
Non-Executive Director since 30 November 2015

Julie Steiner has over 35 years working in the public and private sectors as a CEO and General Manager. Her early career was in international publishing and cinema exhibition. After a decade as a GM and CEO at the ABC, she co-founded the Australian executive search firm BSP where she focused on C suite and Board appointments and advice. After BSP's sale to global firm Odgers Berndtson Julie was the Global Head of the Education practices whilst also leading the Australian businesses focus on the Public Sector, Cultural Sector and Board Practices. She has been broadcaster with the ABC and is a graduate of the Australian Institute of Company Directors. Julie has an honours degree in English Literature and Politics from the University of Melbourne and has sat on several Boards (listed, public and private) for over 30 years. Julie is on the Boards of the Australian Chamber Orchestra Pty Ltd and the Australian Chamber Orchestra Instrument Fund Pty Ltd.

Ms M Haysom
Non-Executive Director appointed 2 March 2022

Melissa (Mim) Haysom is currently employed by Suncorp Group as the Executive General Manager Brand & Marketing. Beyond her executive role she is also on the Advisory Board of Wheelchair Rugby Australia (2019 - current), the Advisory Board of The Australian Data Driven Marketing Association (2020 - current) and is a Trustee of the St Vincents Clinic Foundation (2019 - current). She is also a Graduate of the Australian Institute of Company Directors.

Information on directors (continued)

Ms H Ridout AO
Non-Executive Director retired 2 March 2023

Heather Ridout is a Director of ASX Ltd and a Director of Sims Limited - the world's largest publicly listed recycling company. Her other appointments include member of the Boards of: RAND Corporation Australia Advisory Board and Australian Cyber Security Growth Network Board; Her previous appointments include: Chair of the Australian Super Trustee Board from May 2013 to September 2019, having joined that Board as a director in 2007. Member of the Board of the Reserve Bank of Australia from February 2012 until February 2017. Member of Infrastructure Australia; the Australian Workforce and Productivity Agency and a member of the Henry Tax Review panel and the Climate Change Authority. A member of ASIC's - External Advisory Panel, 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 - the key business advisory body to the G20. In June 2013, Ms. Ridout was awarded the rank of Officer of the Order of Australia (AO) in the general division for distinguished service to business and industry through significant contributions to the development of economic and public policy. Heather holds a BSc (hons) from the University of Sydney, an honorary Doctor of Business (honoris causa) from both Macquarie University and The University of Ballarat.

Mr W D Best
Non-Executive Director retired 27 April 2022

Bill Best is currently Chairman of Ellerston Asia and a director of Literacy Planet Limited and Inspire Impact Limited. He is also Chairman of Inala, a Rudolf Steiner organisation supporting individuals with disabilities and until 15 March 2022 the Australian Chamber Orchestra Instrument Fund Pty Limited. Bill is an advisor to OnMarket Bookbuilds. 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.

Mr A Lee
Non-Executive Director retired 24 June 2022

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. 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 and the Equity in Jazz Program at the Sydney Conservatorium of Music. Anthony received a BA in Mathematics from Princeton University and an MBA from the Chinese University of Hong Kong.

Mr J G Taberner
Non-Executive Director retired 24 June 2022

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. From 2008 to 2021, he was a Senior Consultant at Herbert Smith Freehills. John has extensive experience advising a wide range of clients. 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 also retired as a Director of the Australian Chamber Instrument Fund Pty Ltd and of ACOUK and ACOUS on 24 June 2022. He is also a Director of Enova Community Energy Ltd (and three related companies) and of Ballina Solar Farm Pty Ltd.

Information on directors (continued)

Mr P Shorthouse

Non-Executive Director retired 23 November 2022

It is with great sadness that we note Peter Shorthouse passed away in November 2022. In memory of Peter, the ACO began the establishment of a corpus to create a scholarship in his name. This scholarship will support an emerging artist each year within the Australian Chamber Orchestra's Emerging Artists' program.

Peter Shorthouse was a Senior Partner at Crestone Wealth Management and had more than 30 years' financial services experience. Following 7 years as a Chartered Accountant and management consultant with Arthur Andersen, London, Peter spent 10 years as an Equity Analyst with UBS and ABN Amro in London and Sydney. He had been with Crestone (and predecessor UBS Wealth Management) since 2005, advising UHNW and Family Office clients on portfolio construction and risk and investment management. Peter's experience with NFPs includes both as an investment manager and as a Director with Good360, Violet/LifeCircle and on three school Foundations. Peter joined the ACO Board in August 2019.

Mr J Kench

Non-Executive Director retired 12 February 2023

John is a retired legal practitioner. He was a founding senior partner of corporate and commercial law firm, Johnson, Winter and Slattery, Sydney (2004) and national chairman of partners (2012-2016). John was a senior partner of Blake Dawson Waldron (now Ashurst) from 1983-2004. John has been the lead legal adviser to the Australian Chamber Orchestra since 2013. Recognised by peers and in legal directories as one of Australia's leading competition law practitioners and strategic problem solvers.

John has 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.

New premises strategic project

The ACO had a long-held desire to have its own home and on 11 March 2022, the ACO signed the lease documentation for its new premises at Pier 2/3 with the NSW Government. On 28 March 2022 the ACO completed its move its new premises at Pier 2/3.

The ACO estimates that the cost of remaining NSW Government payments for tenant works contribution and new premises establishment costs to be incurred in future years is likely to be circa \$16 million. To support its aspirations for a new home, in October 2021 the ACO launched the "public" phase of a capital campaign to support the project. The ACO has been delighted with the generous support received from patrons and philanthropists to date. \$1,950,503 in cash donations were received during 2022 [life-to-date as at 31 December 2022, \$15,000,408 (\$13,049,905 life-to-date as at 31 December 2021)].

Review of operation

2022 marked a transformative new era for the ACO, as the organisation moved into its permanent state-of-the-art home at ACO Pier 2/3 in the Walsh Bay Arts Precinct. The ACO's relocation to a purpose-built premises heralded a breadth of new opportunities for the organisation, with a focus on the core pillars of innovation, collaboration, outreach and education.

The ACO presented over 200 concerts in 2022 across Australian metropolitan centres including Sydney, Melbourne, Canberra, Adelaide, Brisbane and Perth, regional centres including Coffs Harbor, Wyong, Dubbo, Albury and Geelong and internationally in Berlin and London.

In 2022 the ACO collaborated with world-renowned musicians and artists including Indigenous Australian didgeridoo virtuoso William Barton, singer-songwriter Jimmy Barnes, mezzo-soprano Anna Dowsley, classical accordionist James Crabb, cinematographer Jon Frank and pianist Olli Mustonen. The Orchestra also gave 23 world premieres which included works by US composer Samuel Adams, Australian composers Holly Harrison and Elena Kats-Chernin and 15 new works featured in RIVER Live in Concert, 12 of which were composed or co-composed by Richard Tognetti.

Review of operation (continued)

The ACO's 2022 Learning & Engagement Program included three seasons of ACO Families shows, which included two brand new productions, *How to Catch a Star* and *Dear Santa*, as well as a remount of the award-winning production *There's a Sea in My Bedroom* which had a run of 12 shows at ACO Pier 2/3 before a 12-stop tour across metropolitan and regional NSW, Queensland and Victoria.

The ACO launched several new programs and initiatives in 2022, made possible due to the performance spaces and facilities at ACO Pier 2/3. These programs included ACO Relaxed (welcoming concerts tailored to people with a disability), ACO Up Close (an intimate recital series), ACO Talks (a series of engaging and thought-provoking talks), Music & Movement classes for young children and ACO Family Days, designed to introduce children to music in an engaging and hands-on way.

In addition to its own activities in 2022 at Pier 2/3, the ACO also hosted 46 events presented by a broad range of hirers drawn from music and the arts, media, film, television and business sectors.

The ACO released two new recordings in 2022, *Indies and Idols* and *Isaac Albéniz: Asturias*, both on the ACO Classic label.

The ACO was the recipient of four major awards in 2022, winning the 2022 ARIA Award for Best Soundtrack Album for *RIVER: Original Motion Picture Soundtrack*, the 2022 AACTA Award for Best Original Score in a Documentary for *RIVER*, the APRA AMCOS 2022 Screen Music Award for Best Soundtrack Album for *RIVER* and the APRA AMCOS 2022 Screen Music Award for Best Original Song for *Spirit Voice of the Enchanted Waters*.

Strategic plan update

With the advent of COVID, in October 2020 the ACO formalised an updated Strategic Plan (COVID Recovery Plan) for 2021 - 2022. The ACO's strategic objectives from 2021 - 2022 are:

- **Artistic Excellence and Extension:** continue to create, commission and present new programs that are artistically excellent, innovative, vibrant and imbued with our distinctive character;
- **Audience Development and Reach:** continue to ensure that a broad range of Australians are able to access the ACO and engage with our artform and diverse programs;
- **Nurture our sector:** maintain our commitment to supporting the development and growth of the next generation of Australian artists and our sector more broadly; and
- **Organisational strength:** maintain best practice in governance, financial and people management.

Australian Chamber Orchestra Pty Limited and its controlled entities
Directors' report
31 December 2022
(continued)

Meetings of directors

The numbers of meetings of the company's board of directors and of each board committee held during the year ended 31 December 2022, and the numbers of meetings attended by each director were:

	Full meetings of directors		Finance, Audit and Risk Management Committee	
	A	B	A	B
G Belgiorno-Nettis AM	3	4	-	-
E Lewin	4	4	6	6
J Fisher	4	4	5	6
J Crawford	3	4	-	-
E Flaherty	4	4	-	-
S D Yeo	4	4	-	-
M Myer AO	4	4	5	6
J Steiner AM	4	4	-	-
M Haysom (appointed 2 March 2022)	3	4	-	-
H Ridout AO (retired 2 March 2023)	3	4	-	-
W D Best (retired 27 April 2022)	2	2	1	2
A Lee (retired 24 June 2022)	2	3	-	-
J G Taberner (retired 24 June 2022)	3	3	-	-
P Shorthouse (retired 23 November 2022)	3	3	2	5
J Kench (retired 12 February 2023)	4	4	-	-

A = Number of meetings attended

B = Number of meetings held during the time the director held office or was a member of the committee during the period

Insurance of officers and indemnities

Insurance of officers

During the financial year, Australian Chamber Orchestra Pty Limited and its controlled entities paid a premium of \$16,795 (2021: \$15,915) to insure the directors and secretaries of the group and its Australian-based controlled entities, and the general managers of each of the divisions of the group.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the group. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Auditor's independence declaration

A copy of the auditor's independence declaration is set out on page 12.

Rounding of amounts

The group is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with the instrument to the nearest dollar.

Australian Chamber Orchestra Pty Limited and its controlled entities
Directors' report
31 December 2022
(continued)

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

A handwritten signature in black ink, appearing to read 'G Belgiorno-Nettis', with a long horizontal flourish extending to the right.

G Belgiorno-Nettis AM
Director

Sydney
28 April 2023



Auditor's Independence Declaration

As lead auditor for the audit of Australian Chamber Orchestra Pty Limited for the year ended 31 December 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Australian Chamber Orchestra Pty Limited and the entities it controlled during the period.

K.L. Woombell-Perry

Kerryn Woombell-Perry
Partner
PricewaterhouseCoopers

Sydney
28 April 2023

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Australian Chamber Orchestra Pty Limited and its controlled entities

ABN 45 001 335 182

Financial report - 31 December 2022

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These financial statements are the consolidated financial statements of the consolidated entity consisting of Australian Chamber Orchestra Pty Limited and its controlled entities. A list of subsidiaries is included in note 27.

The financial statements are presented in Australian dollars, which is Australian Chamber Orchestra Pty Limited and its controlled entities' functional and presentation currency.

All amounts disclosed in the financial statements and notes have been rounded off to the nearest dollar unless otherwise stated.

Australian Chamber Orchestra Pty Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Australian Chamber Orchestra Pty Limited
Suite 3, 13A Hickson Road
Dawes Point NSW 2000

A description of the nature of the consolidated entity's operations and its principal activities is included in the directors' report on page 1, which is not part of these financial statements.

The financial statements were authorised for issue by the directors on 28 April 2023. The directors have the power to amend and reissue the financial statements.

Australian Chamber Orchestra Pty Limited and its controlled entities
Consolidated statement of surplus or deficit and other comprehensive loss or income
For the year ended 31 December 2022

	Notes	2022 \$	2021 \$
Revenue			
Operating revenue	3	17,487,680	14,404,194
COVID support income		429,826	1,733,824
Net investment income		1,319,877	1,208,737
		<u>19,237,383</u>	<u>17,346,755</u>
Other (loss)/income	4(a)	(3,535,490)	1,502,809
Expenses			
Performance expenses		(8,080,458)	(4,541,649)
Development expenses		(371,769)	(179,938)
Marketing expenses		(1,169,103)	(815,448)
Provision for impairment loss		(252,202)	-
Overhead expenses		(9,240,155)	(6,526,814)
Depreciation expense		(875,105)	(812,694)
Finance expenses	4(b)	(655,671)	(14,155)
(Deficit)/surplus before income tax		<u>(4,942,570)</u>	<u>5,958,866</u>
Instrument fund income tax expense	5	(291,027)	(218,092)
(Deficit)/surplus from continuing operations		<u>(5,233,597)</u>	<u>5,740,774</u>
Deficit attributable to external unitholders	18	714,851	687,717
(Deficit)/surplus for the year		<u>(4,518,746)</u>	<u>6,428,491</u>
Other comprehensive income			
Other comprehensive income attributable to external unitholders	18	(937,411)	(687,717)
Revaluation increment of ACO musical instruments	11	1,077,763	182,566
Revaluation increment of rare, historical stringed instruments	14	970,090	726,974
Other comprehensive income for the year, net of tax		<u>1,110,442</u>	<u>221,823</u>
Total comprehensive (loss)/income for the year		<u>(3,408,304)</u>	<u>6,650,314</u>

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

Australian Chamber Orchestra Pty Limited and its controlled entities
Consolidated statement of financial position
As at 31 December 2022

	Notes	2022 \$	2021 \$
ASSETS			
Current assets			
Cash and cash equivalents	7	13,247,966	7,627,166
Trade and other receivables	8	451,638	463,494
Prepayments		383,390	334,212
Term deposit	9	6,680,000	11,000,000
Total current assets		20,762,994	19,424,872
Non-current assets			
Other financial assets	10	16,616,608	23,531,259
Property, plant and equipment	11	10,286,248	4,618,567
Right-of-use assets	12	13,222,153	47,628
Intangible assets	13	21,721	102,428
Rare, historical stringed instruments held in the instrument fund	14	10,277,086	9,306,996
Total non-current assets		50,423,816	37,606,878
Total assets		71,186,810	57,031,750
LIABILITIES			
Current liabilities			
Contract liabilities	3(a)	4,995,939	4,838,296
Lease liabilities	12	1,395,307	42,970
Trade and other payables	15	4,289,497	1,740,330
Grant liabilities	16	458,003	578,116
Employee benefit obligations	17	908,500	710,750
Total current liabilities		12,047,246	7,910,462
Non-current liabilities			
Lease liabilities	12	12,266,853	-
Financial liability to external unitholders	18	7,073,396	6,694,498
Instrument fund provision for liquidity	19	1,620,697	1,198,854
Instrument fund deferred tax liabilities	20	1,377,159	1,086,132
Employee benefit obligations	17	786,075	718,112
Total non-current liabilities		23,124,180	9,697,596
Total liabilities		35,171,426	17,608,058
Net assets		36,015,384	39,423,692
EQUITY			
Share capital	21	17	21
Asset revaluation reserve (other reserves)	22(a)	2,700,828	1,590,386
Restricted/designated reserve (other reserves)	22(a)	20,620,210	25,214,437
Accumulated surplus	22(b)	12,694,329	12,618,848
Total equity		36,015,384	39,423,692

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

Australian Chamber Orchestra Pty Limited and its controlled entities
Consolidated statement of changes in equity
For the year ended 31 December 2022

Notes	Share capital \$	Other reserves \$	Accumulated surplus \$	Total equity \$
Balance at 1 January 2021	19	26,529,894	6,243,463	32,773,376
Profit for the year	-	-	6,428,491	6,428,491
Other comprehensive income	-	221,823	-	221,823
Total comprehensive income for the year	-	221,823	6,428,491	6,650,314
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs and tax	21	2	-	2
Transfer (from)/to reserves	22	-	53,106	-
		2	53,106	2
Balance at 31 December 2021	21	26,804,823	12,618,848	39,423,692
Balance at 1 January 2022	21	26,804,823	12,618,848	39,423,692
Loss for the year	-	-	(4,518,746)	(4,518,746)
Other comprehensive income	-	1,110,442	-	1,110,442
Total comprehensive income/(loss) for the year	-	1,110,442	(4,518,746)	(3,408,304)
Transactions with owners in their capacity as owners:				
Shares forfeited	21	(4)	-	(4)
Transfer (from)/to reserves	22	-	(4,594,227)	-
		(4)	(4,594,227)	(4)
Balance at 31 December 2022	17	23,321,038	12,694,329	36,015,384

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

Australian Chamber Orchestra Pty Limited and its controlled entities
Consolidated statement of cash flows
For the year ended 31 December 2022

	Notes	2022 \$	2021 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		6,893,310	3,793,449
Receipts from sponsors and donors		7,001,653	8,752,198
Receipts from government grants		3,636,968	5,493,811
Net GST received/(paid)		26,020	(65,404)
Payments to suppliers and employees (inclusive of GST)		<u>(15,260,889)</u>	<u>(11,747,888)</u>
		2,297,062	6,226,166
Other income received		214,360	147,393
Interest paid		(655,671)	-
Instrument fund applications		143,118	-
Interest/distribution received		<u>1,037,116</u>	<u>758,046</u>
Net cash inflow from operating activities		<u>3,035,985</u>	<u>7,131,605</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(3,508,341)	(1,046,347)
Payments for financial assets at fair value through profit or loss	10	(7,013,688)	(9,890,867)
Payment for other financial assets		(21,430,000)	(22,000,000)
Disposal of other financial assets		25,750,000	17,000,000
Proceeds from sale of property, plant and equipment		51,473	-
Proceeds from sale of financial assets at fair value through profit or loss	10	<u>10,178,715</u>	<u>2,289,634</u>
Net cash inflow/(outflow) from investing activities		<u>4,028,159</u>	<u>(13,647,580)</u>
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities	21	(4)	-
Lease payments		<u>(1,443,340)</u>	-
Net cash outflow from financing activities		<u>(1,443,344)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents			
Cash and cash equivalents at the beginning of the financial year		5,620,800	(6,515,975)
Cash and cash equivalents at the beginning of the financial year		<u>7,627,166</u>	<u>14,143,141</u>
Cash and cash equivalents at end of period	7	<u>13,247,966</u>	<u>7,627,166</u>

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

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1 Summary of significant accounting policies

This note provides a list of all significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the group consisting of Australian Chamber Orchestra Pty Limited and its controlled entities.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Australian Chamber Orchestra Pty Limited is a not-for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with Australian Accounting Standards - Simplified Disclosure Requirements

The consolidated financial statements of the group comply with Australian Accounting Standards - Simplified Disclosure Requirements as issued by the Australian Accounting Standards Board (AASB), the *Australian Charities and Not-for profits Commission Act 2012* and the *Charitable Fundraising Act 1991 (NSW)*. The company is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards.

(ii) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following:

- certain financial assets and liabilities - measured at fair value through the profit or loss,
- certain classes of property, plant and equipment - measured at fair value with the revaluation gain or loss recognised in other comprehensive income.

(iii) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

(iv) New and amended standards adopted by the group

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 January 2022 affected any of the amounts recognised in the current period and are not likely to affect future periods.

(b) Principles of consolidation and equity accounting

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity where the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Amounts owing to 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.

1 Summary of significant accounting policies (continued)

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars (\$), which is Australian Chamber Orchestra Pty Limited and its controlled entities's functional and presentation currency.

(ii) Transactions and balances

All other foreign exchange gains and losses are presented in the consolidated statement of surplus or deficit and other comprehensive loss or income on a net basis within other gains/(losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

(d) Revenue recognition

Revenue is recognised for the major business activities using the methods outlined below.

Performance revenue

Revenue from ticket sales is recognised in the consolidated statement of surplus or deficit and other comprehensive loss or income at the time concert performances are delivered. Revenue in respect of productions not yet performed is included in the consolidated statement of financial position as contract liability under current liabilities. Amounts received that are held on a client's account due to a cancelled performance are recognised as a refund liability.

Donations and bequests

Donations collected, including cash and goods for resale, are recognised as revenue when the group gains control, economic benefits are probable, and the amount of the donation can be measured reliably. In the case cancelled ticket donations, the donation is only recognised when the client directs that their refund liability from a cancelled performance should be converted into a donation.

Bequests are recognised when the legacy is received. Revenue from legacies comprising 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.

Sponsorship revenue

Where a sponsorship contract contains 'sufficiently specific' performance obligations, then revenue is recognised only when (or as and when) the performance obligations are fulfilled. If the sponsorship contract does not contain 'sufficiently specific' performance obligations, revenue is recognised when the group obtains control of the funds.

Sponsorship benefits may be received by way of cash, or as non-cash benefits known as 'contra sponsorship'. The respective goods and services related to this income are reflected in the appropriate expense or asset accounts.

Government funding revenue

A number of the group's programs are supported by grants received from the Federal, State and Local governments. If the grant contract contains 'sufficiently specific' performance obligations, then revenue is recognised only when (or as and when) the performance obligations are fulfilled. If the grant contract does not contain 'sufficiently specific' performance obligations, revenue is recognised when the group obtains control of the funds.

1 Summary of significant accounting policies (continued)

(d) Revenue recognition (continued)

Venue hire and related services revenue

External hirers of the Pier 2/3 spaces are invoiced for use of the spaces and associated services, for their external event, the revenue is recognised at the conclusion of the event booking.

At the confirmation of an event booking, a venue deposit is received and held in the balance sheet and at conclusion of the event the revenue is recognised.

Volunteer services

The group has elected not to recognise volunteer services as either revenue or other form of contribution received. As such, any related consumption or capitalisation of such resources received is also not recognised.

Interest income

Interest income is recognised using the effective interest method.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

(e) Income tax

The parent entity is exempt from income tax under Division 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 or credit for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting year in the countries where the company and its subsidiary operates and generates taxable income.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting year and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(f) Leases

The group leases both premises and office equipment. The Australian Chamber Orchestra Pty Ltd have executed premises lease agreements for each tenancy area it occupies spanning terms from 45 years to 87 years and 8 months, with extension options. Equipment rental contracts are typically made for fixed periods of 1 to 5 years.

1 Summary of significant accounting policies (continued)

(f) Leases (continued)

Contracts may contain both lease and non-lease components. The group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items of office furniture.

(g) Impairment of non-financial assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(h) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(i) 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.

1 Summary of significant accounting policies (continued)

(j) Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

The group applies the AASB 9 *Financial Instruments* simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

(k) Financial instruments

Financial assets

(i) Classification

The group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The group classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

The group's financial assets at amortised cost includes cash and short-term deposits, loan receivables and trade and other receivables. The group does not have any financial assets measured subsequently at fair value (either through OCI or through profit or loss).

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the group measures a financial asset at its fair value.

Subsequent to initial recognition, assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of surplus or deficit and other comprehensive loss or income.

(iv) Impairment

The group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

1 Summary of significant accounting policies (continued)

(k) Financial instruments (continued)

Financial assets (continued)

(iv) Impairment (continued)

For trade receivables, the group applies the simplified approach permitted by AASB 9 *Financial Instruments*, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 1(j) for further details.

Financial liabilities

(i) Recognition and derecognition

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The group's financial liabilities include trade and other payables.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of surplus or deficit and other comprehensive loss or income.

(ii) Measurement

Subsequent to initial recognition financial liabilities are recognised at amortised cost using the effective interest method.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(l) Property, plant and equipment

Property, plant and equipment (excluding musical instruments) is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting year in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost or revalued amounts of the assets, net of their residual values, over their estimated useful lives as follows:

- Musical instruments 100 - 450 years
- Plant and equipment 3 - 12 years
- Motor vehicles 3 - 10 years
- Leasehold improvements life of lease or useful life of the asset, whichever is shorter

Musical instruments are supported by market evidence and are determined periodically by professional independent valuers that have recognised experience, expertise and knowledge with respect to the available market and the condition of the instruments.

Musical Instruments held by the parent entity are considered to have an extremely long useful life. As such, useful life depreciation expense is considered immaterial.

Any revaluation movement is recognised in other comprehensive income.

1 Summary of significant accounting policies (continued)

(l) Property, plant and equipment (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting year.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(g)).

Gains and losses on disposals of property, plant and equipment (excluding musical instruments) are determined by comparing proceeds with carrying amount. These are included in profit or loss.

Property, plant and equipment and intangible assets costing \$5,000 (2021: \$5,000) and above, individually or forming a group of parts or components costing more than \$5,000 (2021: \$5,000) are capitalised.

(m) Rare, historical stringed instruments

The rare, historical stringed instruments are accounted for using the revaluation model. Depreciation on these assets is considered immaterial due to their extremely long useful life. For new acquisitions, valuation of these assets equate to their cost price.

The Board considers the valuation of the instruments each year. They are shown based on periodic, at least triennial, valuations by reputable valuers and the reasonableness of the value is assessed annually. 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 independent professional valuers that have recognised 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 valuation of rare, historical musical instruments is immediately recognised in other comprehensive income as a change in the valuation of rare, historical stringed instruments. Refer to note 14 for particulars of these adjustments.

(n) Intangible assets

(i) Software and website development

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

Costs associated with maintaining software programs are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets.

(ii) Amortisation methods and useful lives

The group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

- | | |
|------------|-------------|
| • Software | 3 - 5 years |
| • Website | 3 years |

(o) Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

1 Summary of significant accounting policies (continued)

(p) Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the company performs under the contract.

(q) Operating expenses

Operating expenses are recognised in surplus or deficit upon utilisation of the service at the date of their origin.

(r) Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting year. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(s) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statement of financial position.

(ii) Other long-term employee benefit obligations

The liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of Australian Government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the consolidated statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(iii) Post-employment obligations

The group pays contributions to publicly or privately administered defined contribution superannuation plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

1 Summary of significant accounting policies (continued)

(t) Contributed equity

Ordinary shares are classified as equity.

(u) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(v) Rounding of amounts

The group is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with the instrument to the nearest dollar.

(w) Parent entity financial information

The financial information for the parent entity, Australian Chamber Orchestra Pty Limited and its controlled entities, disclosed in note 31 has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of Australian Chamber Orchestra Pty Limited and its controlled entities. Dividends received from associates are recognised in the parent entity's profit or loss when its right to receive the dividend is established, nothing no dividends have been paid, nor received (2021: nil).

2 Critical estimates and judgements

Critical accounting estimates and assumptions

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) 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 recognised 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.

(ii) 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.

2 Critical estimates and judgements (continued)

Critical accounting estimates and assumptions (continued)

(iii) Leases - determining the lease term

Management considers all facts and circumstances when determining whether to exercise a lease option to extend lease term. Extension options are included if there is reasonably certainty the lease will be extended. Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the leases will be extended. The group will re-assess the lease term; if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

(iv) Leases - incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount rate future lease payments to measure the present value of the lease liability at the lease commencement date. Generally, the group uses its incremental borrowing rate as as the discount rate.

3 Operating revenue

	2022 \$	2021 \$
Performance revenue	6,699,091	2,424,546
Sponsorship revenue	1,237,864	788,615
Bequest and donations revenue	6,257,402	8,502,185
Government revenue funding	3,062,058	2,688,848
Venue hires and related services revenue	231,265	-
	<u>17,487,680</u>	<u>14,404,194</u>

In addition to the above revenue, \$429,826 (2021: \$2,361,303) of COVID support funding was received. \$395,894 (2021: \$1,733,824) was received from government and \$33,932 (2021: \$627,479) of cancelled performance revenue donated from generous patrons.

(a) Assets and liabilities related to contracts with customers

The group has recognised the following assets and liabilities related to contracts with customers:

	2022 \$	2021 \$
Contract liabilities - performance income in advance	(4,499,014)	(4,188,285)
Contract liabilities - sponsorships in advance	(355,503)	(398,512)
Contract liabilities - trust and foundations in advance	(70,000)	(210,445)
Contract liabilities - other unearned revenue	(71,422)	(41,054)
Total current contract liabilities	<u>(4,995,939)</u>	<u>(4,838,296)</u>

Australian Chamber Orchestra Pty Limited and its controlled entities
Notes to the consolidated financial statements
31 December 2022
(continued)

4 Other income and expense items

(a) Other income

	2022	2021
	\$	\$
Foreign exchange losses	(226)	(451)
Unrealised investment (loss)/gains on financial securities	(3,749,624)	1,355,867
Other income	214,360	147,393
	(3,535,490)	1,502,809

(b) Finance costs

	2022	2021
	\$	\$
Interest expense - leases	655,671	14,155
Finance costs expensed	655,671	14,155

5 Instrument fund income tax expense/(benefit)

The Australian Chamber Orchestra Instrument Fund Pty Ltd is subject to tax.

(a) Instrument fund income tax expense

	2022	2021
	\$	\$
<i>Deferred income tax</i>		
Increase/(decrease) in deferred tax liabilities (note 20)	291,027	218,092
Instrument fund income tax expense	291,027	218,092

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	2022	2021
	\$	\$
Profit from continuing operations before income tax (benefit)/expense	(4,942,570)	5,958,866
Tax at the Australian tax rate of 30.0% (2021 - 30.0%)	(1,482,771)	1,787,660
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Relating to not-for-profit status of parent entity	1,352,253	(1,940,324)
Relating to provision for liquidity risk	130,518	152,664
Relating to fair value gains/(losses) on musical instruments	291,027	218,092
Income tax expense	291,027	218,092

Australian Chamber Orchestra Pty Limited and its controlled entities
Notes to the consolidated financial statements
31 December 2022
(continued)

6 Financial assets and liabilities

The group holds the following financial instruments:

	Notes	Assets at FVPL \$	Financial assets at amortised cost \$	Total \$
Financial assets				
2022				
Cash and cash equivalents	7	-	13,247,966	13,247,966
Trade and other receivables	8	-	451,638	451,638
Term deposit	9	-	6,680,000	6,680,000
		-	<u>20,379,604</u>	<u>20,379,604</u>
Non-current				
Financial assets at fair value through profit or loss	10	<u>16,616,608</u>	-	<u>16,616,608</u>
		<u>16,616,608</u>	-	<u>16,616,608</u>
		<u>16,616,608</u>	<u>20,379,604</u>	<u>36,996,212</u>
2021				
Current				
Cash and cash equivalents	7	-	7,627,166	7,627,166
Trade and other receivables	8	-	463,494	463,494
Term deposit	9	-	11,000,000	11,000,000
		-	<u>19,090,660</u>	<u>19,090,660</u>
Non-current				
Financial assets at fair value through profit or loss	10	<u>23,531,259</u>	-	<u>23,531,259</u>
		<u>23,531,259</u>	-	<u>23,531,259</u>
Total financial assets		<u>23,531,259</u>	<u>19,090,660</u>	<u>42,621,919</u>
Liabilities at amortised cost				
	Notes			Total \$
Financial liabilities				
2022				
Trade and other payables **	15	<u>(4,289,497)</u>		<u>(4,289,497)</u>
Total financial liabilities		<u>(4,289,497)</u>		<u>(4,289,497)</u>
2021				
Trade and other payables **	15	<u>(1,740,330)</u>		<u>(1,740,330)</u>
Total financial liabilities		<u>(1,740,330)</u>		<u>(1,740,330)</u>

** Excluding non-financial liabilities

Australian Chamber Orchestra Pty Limited and its controlled entities
Notes to the consolidated financial statements
31 December 2022
(continued)

7 Cash and cash equivalents

	2022	2021
	\$	\$
Cash at bank and on hand	632,191	542,632
Short term deposits	12,615,775	7,084,534
	13,247,966	7,627,166

8 Trade and other receivables

	2022	2021
	\$	\$
Trade receivables	311,948	142,303
Loss allowance	(250,000)	-
	61,948	142,303
Other receivables	22,656	102,331
Franking credit receivables	113,814	59,108
Interest receivables	129,902	10,414
GST receivables	123,318	149,338
	451,638	463,494

9 Term deposit

	2022	2021
	\$	\$
Term deposit	6,680,000	11,000,000

The term deposits have fixed interest rates between 2.30% and 3.40% (2021: between 0.15% to 0.48%). These terms deposits all mature by 6 March 2023 (2021: 27 April 2022) or earlier.

10 Other financial assets

	2022	2021
	\$	\$
Financial assets at fair value through profit or loss	16,616,608	23,531,259

10 Other financial assets (continued)

Financial assets at fair value through profit or loss

Financial assets mandatorily measured at FVPL include the following:

	2022 \$	2021 \$
Long-term diversified portfolios	16,616,608	23,531,259
	16,616,608	23,531,259

Reconciliation of financial securities

Opening balance	23,531,259	14,574,159
Additions	7,013,688	9,890,867
Disposals	(10,178,715)	(2,289,634)
Revaluation increment through surplus (FVPL)	(3,749,624)	1,355,867
	16,616,608	23,531,259

(i) Classification of financial assets at fair value through profit or loss

The group classifies the following financial assets at fair value through profit or loss (FVPL):

- debt investments that do not qualify for measurement at either amortised cost
- equity investments that are held for trading, and
- equity investments for which the entity has not elected to recognise fair value gains and losses through OCI.

(ii) Amounts recognised in profit or loss

During the period, the following gains/(losses) were recognised in profit or loss:

	2022 \$	2021 \$
Net gain on sale of financial assets at fair value through profit or loss	93,035	404,627
Unrealised (loss)/gain on financial securities	(3,749,624)	1,355,867
Fair value (losses)/gains on equity investments at FVPL recognised in other (losses)/gains	(3,656,589)	1,760,494

(iii) Fair value measurements

The fair value of financial securities is their market price at the reporting date. All financial securities have a daily unit value in the market in which they are sold, and it is that daily unit value applicable at 31 December of each year, which is used to derive fair value measurement.

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

Australian Chamber Orchestra Pty Limited and its controlled entities
Notes to the consolidated financial statements
31 December 2022
(continued)

11 Property, plant and equipment

	Plant and equipment \$	Motor vehicles \$	Leasehold improvements \$	Musical instruments \$	Assets under construction \$	Total \$
At 1 January 2022						
Cost	1,622,931	22,718	597,126	3,332,680	1,250,398	6,825,853
Accumulated depreciation	(1,592,963)	(17,197)	(597,126)	-	-	(2,207,286)
Net book amount	29,968	5,521	-	3,332,680	1,250,398	4,618,567
Year ended 31 December 2022						
Opening net book amount	29,968	5,521	-	3,332,680	1,250,398	4,618,567
Additions	-	-	-	-	5,206,337	5,206,337
Transfers	2,870,417	43,366	1,438,540	1,994,275	(6,346,598)	-
Disposals	-	-	-	(55,000)	-	(55,000)
Revaluations	-	-	-	1,077,763	-	1,077,763
Depreciation charge	(525,657)	(9,587)	(26,175)	-	-	(561,419)
Closing net book amount	2,374,728	39,300	1,412,365	6,349,718	110,137	10,286,248
At 31 December 2022						
Cost	3,930,322	66,084	1,438,540	6,349,718	110,137	11,894,801
Accumulated depreciation	(1,555,594)	(26,784)	(26,175)	-	-	(1,608,553)
Net book amount	2,374,728	39,300	1,412,365	6,349,718	110,137	10,286,248

(a) Assets under construction

Asset under construction represents plant and equipment acquired for the new premises as part of the revitalised Walsh Bay Arts Precinct Project at Pier 2/3. Total remaining assets under construction to 31 December 2022 is \$110,137 (2021: \$1,250,398).

(b) Valuation of musical instruments

Musical Instruments were formally revalued in the year ended 31 December 2022 (previously in 2019) by reputable independent valuers in USD, GBP and AUD. The directors are of the opinion in 2022 that the carrying value of the musical instruments reflects the most recent formal valuation in 2022 in foreign currency and exchange rate conversions as at 31 December 2022. Any revaluation movement in 2022 is recognised in other comprehensive income.

(c) Leased assets

Within the additions during the year of \$5,206,337 (2021: \$1,046,347), there are property, plant and equipment under lease arrangements amounting to \$1,697,996 (2021: \$nil) which has been recognised as part of lease liabilities.

Australian Chamber Orchestra Pty Limited and its controlled entities
Notes to the consolidated financial statements
31 December 2022
(continued)

12 Leases

This note provides information for leases where the group is a lessee.

(a) Amounts recognised in the balance sheet

The consolidated statement of financial position shows the following amounts relating to leases:

	2022 \$	2021 \$
Right-of-use assets		
Premises lease	13,222,153	47,628
	<u>13,222,153</u>	<u>47,628</u>
Lease liabilities		
Current	1,395,307	42,970
Non-current	12,266,853	-
	<u>13,662,160</u>	<u>42,970</u>

Future lease payments in relation to lease liabilities as at period end are as follows:

Within one year	2,122,414	42,970
Later than one year but not later than five years	9,489,658	-
Later than five years	7,797,732	-
	<u>19,409,804</u>	<u>42,970</u>

Additions to the right-of-use assets during the 2022 financial year were \$13,407,504 (2021: \$nil).

(b) Amounts recognised in the statement of profit or loss

The consolidated statement of surplus or deficit and other comprehensive loss or income shows the following amounts relating to leases:

	2022 \$	2021 \$
Depreciation charge of right-of-use assets		
Premises lease	232,979	571,538
Plant & equipment	-	35,537
	<u>232,979</u>	<u>607,075</u>

Australian Chamber Orchestra Pty Limited and its controlled entities
Notes to the consolidated financial statements
31 December 2022
(continued)

13 Intangible assets

	Software	Website	Total
	\$	\$	\$
At 1 January 2022			
Cost	556,316	334,407	890,723
Accumulated amortisation and impairment	(509,622)	(278,673)	(788,295)
Net book amount	46,694	55,734	102,428
Year ended 31 December 2022			
Opening net book amount	46,694	55,734	102,428
Amortisation charge	(24,973)	(55,734)	(80,707)
Closing net book amount	21,721	-	21,721
At 31 December 2022			
Cost	185,864	334,407	520,271
Accumulated amortisation and impairment	(164,143)	(334,407)	(498,550)
Net book amount	21,721	-	21,721

14 Rare, historical stringed instruments held in the instrument fund

	2022		2021
	\$		\$
Non-current assets - at fair value			
Opening balance at 1 January	9,306,996		8,580,022
Net gain on revaluation through other comprehensive income	970,090		726,974
Closing balance at 31 December	10,277,086		9,306,996

Rare, historical stringed instruments are valued periodically by reputable valuers and the last valuation approved by the Instrument Fund Board was on 26 May 2022 (2021: approved 26 May 2021).

External valuations from reputable valuers are requested on at least a triennial basis and are based on active market prices, adjusted for any difference in craftsmanship, age and/or condition of each instrument, if necessary. The fair value is the amount which a willing party in an arm's length transaction would be willing to pay, based on current prices in an active market for similar instruments with similar qualities. These valuations were provided in US dollars.

At 31 December 2022, the directors reviewed the fair value of these instruments and determined the fair value to be appropriate and continues to reflect the most recent formal valuation of the Instrument Fund Board.

(i) *Amounts recognised in other comprehensive income*

	2022		2021
	\$		\$
Revaluation increment	970,090		726,974

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

Australian Chamber Orchestra Pty Limited and its controlled entities
Notes to the consolidated financial statements
31 December 2022
(continued)

14 Rare, historical stringed instruments held in the instrument fund (continued)

All rare historical musical instruments; *The Stradivarius 1728/29 violin*, *the Guarneri 1714 violin*, the *1616 Brothers Amati Cello* and the *1590 Brothers Amati Violin* were revalued on 26 May 2022 (2021: 26 May 2021) by the Instrument Fund Board, with the underlying valuations in US dollars increasing favourably by USD209,569 in 2022 (2021: USD144,824). An effective AUD/USD exchange rate as at 31 December 2022 of \$0.6775 (2021: \$0.7256) is applied to convert to AUD valuation reported here.

15 Trade and other payables

	2022 \$	2021 \$
Trade payables	344,634	228,495
Accrued expenses	3,126,045	306,882
Accrued payroll and other statutory liabilities	441,508	410,971
Ticket holder on-account credits from cancelled performances	377,310	793,982
	4,289,497	1,740,330

Trade and other payables are all financial liabilities measured at amortised cost, see note 6.

16 Grant liabilities

	2022 \$	2021 \$
Department of Foreign Affairs	75,000	175,000
Playing Australia	263,600	283,713
Other federal government grants	119,403	119,403
	458,003	578,116

17 Employee benefit obligations

	2022			2021		
	Current \$	Non- current \$	Total \$	Current \$	Non- current \$	Total \$
Annual leave	627,815	-	627,815	496,226	-	496,226
Long service leave	280,685	786,075	1,066,760	214,524	718,112	932,636
Total employee benefit obligations	908,500	786,075	1,694,575	710,750	718,112	1,428,862

(a) Leave obligations

Leave obligations cover the group's liabilities for long service leave and annual leave which are classified as either other long-term benefits or short-term benefits, as explained in note 1(s).

(b) Amounts recognised in profit and loss in relation to defined contribution plans

The group has recognised expenses of \$761,025 in the current period (2021: \$520,824) in relation to defined contribution plans which are included in employee benefit expenses in the consolidated statement of surplus or deficit and other comprehensive loss or income.

Australian Chamber Orchestra Pty Limited and its controlled entities
Notes to the consolidated financial statements
31 December 2022
(continued)

18 Financial liability to external unitholders

	2022			2021		
	Current	Non-current	Total	Current	Non-current	Total
	\$	\$	\$	\$	\$	\$
Financial liability to external unitholders	-	7,073,396	7,073,396	-	6,694,498	6,694,498
	-	7,073,396	7,073,396	-	6,694,498	6,694,498

	2022	2021
	\$	\$
<i>Movement in liability to external unitholders in the Australian Chamber Orchestra Instrument Fund ("the Fund")</i>		
Opening balance	6,694,498	6,694,498
Application	143,118	-
Prior year total comprehensive income attributable to external unitholders	13,220	-
Current year total comprehensive income attributable to external unitholders	222,560	-
	7,073,396	6,694,498
<i>Current year total comprehensive income attributable to external unitholders:</i>		
Deficit	(714,851)	(687,717)
Other comprehensive income	937,411	687,717
	222,560	-

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.

The Fund reached its 10-year anniversary on 14 July 2021, where the Fund was required within a three month window to put a resolution to unitholders to continue the Fund. On 15 July 2021, the 10-year anniversary unitholder meeting was held to vote to consider the continuation of the Fund. The unitholders present, in person and by proxy at the meeting, unanimously voted and resolved to continue the Fund for another five years. The Fund will be required within a three-month window of the 15-year anniversary to put a resolution to unitholders to continue the Fund for a further five years. Unless such a resolution is passed at the meeting by more than 50% of unitholders (by value) attending the meeting, the Fund will terminate and, in accordance with the Fund's trust deed, its assets will be realised and the net proceeds (after meeting all Fund liabilities) will be distributed to unitholders.

A unit in the Fund is an illiquid investment. The Trustees are provided with periodic withdrawal opportunities under which a limited number of units will be purchased by the Australian Chamber Orchestra Pty Ltd from investors who wish to participate in the relevant withdrawal opportunity. The Trustee provides withdrawal opportunities every three years. The withdrawal opportunity for redemption since the Fund's inception occurred during 2014, 2017 and in 2020. 50,000 units were redeemed during the first withdrawal window, none in the second window and 263,094 units were redeemed in the last withdrawal opportunity in July 2020. The next (and fourth) withdrawal window will commence on 1 July 2023.

18 Financial liability to external unitholders (continued)

If the Trustee determines that the Fund's cash levels materially exceed its forecast requirements, it will 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 2022.

19 Instrument fund provision for liquidity

	2022	2021
	\$	\$
Instrument fund provision for liquidity risk	1,620,697	1,198,854

(a) Information about individual provisions

Provision for liquidity risk

For information about the provision for liquidity risk refer to note 2(ii).

(b) Movements in provisions

Movements in each class of provision during the financial year are set out below:

	2022	Provision for liquidity risk
		\$
Carrying amount at start of year		1,198,854
- additional provisions recognised		421,843
Carrying amount at end of period		1,620,697

20 Instrument fund deferred tax liabilities

	2022	2021
	\$	\$
The balance comprises temporary differences attributable to:		
Investments in rare, historical stringed instruments	1,377,159	1,086,132
Total deferred tax liabilities	1,377,159	1,086,132

	2022	2021
	\$	\$
Movements		
At 1 January	1,086,132	868,040
Charged/(credited) - profit or loss	291,027	218,092
At 31 December	1,377,159	1,086,132

Australian Chamber Orchestra Pty Limited and its controlled entities
Notes to the consolidated financial statements
31 December 2022
(continued)

21 Contributed equity

(a) Share capital

	2022	2021	2022	2021
	Authorised	Authorised	Fully paid	Fully paid
	shares	shares	\$	\$
Ordinary shares of \$1 each	100	100	17	21

(b) Ordinary shares

Ordinary shareholders are not entitled to receive any dividends, bonuses or fees, nor are they entitled to a share of the proceeds upon 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 on a poll each share is entitled to one vote.

Movement:	\$
Opening balance 1 January 2022	21
Shares forfeited	(4)
Balance 31 December 2022	<u>17</u>

22 Other reserves and retained earnings

(a) Other reserves

	2022	2021
	\$	\$
Restricted/designated reserve	20,620,210	25,214,437
Asset revaluations reserve		
ACO musical instruments	2,159,515	1,081,752
Instrument fund musical instruments	3,402,282	2,432,192
Surplus to external unitholders	(2,860,969)	(1,923,558)
	<u>2,700,828</u>	<u>1,590,386</u>
	<u>23,321,038</u>	<u>26,804,823</u>

	2022	2021
	\$	\$

Movements:

<i>Restricted/designated reserve</i>		
Opening balance	25,214,437	25,161,331
Other transfers	(4,594,227)	53,106
Balance 31 December	<u>20,620,210</u>	<u>25,214,437</u>

<i>Asset revaluation reserve</i>		
Opening balance	1,590,386	1,368,563
Revaluation	1,110,442	221,823
Balance 31 December	<u>2,700,828</u>	<u>1,590,386</u>

22 Other reserves and retained earnings (continued)

(a) Other reserves (continued)

(i) Nature and purpose of other reserves

Surplus to external unitholders' reserves

Surplus to external unitholders' reserves 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.

Restricted/designated reserve

Restricted/designated reserve consist of:

- New Premises Project - One-off Capital Payments to NSW Government and Transition costs

Reserves have been established to fund the substantial contractual capital payments owing to NSW Government for the new ACO premises at the Walsh Bay Arts Precinct Project at Pier 2/3. Payments commenced when the ACO officially took possession of these premises in 2022.

In addition, the ACO continued in 2022 to incur substantial additional transitional establishment costs related to finalising the establishment of Pier 2/3, which includes furniture, fittings, equipment and other relocation and transition costs for example.

Overall, the ACO estimates at the end 31 December 2022, that the remaining one-off capital payments and transitional establishment costs to be incurred in futures years is likely to be circa \$16 million.

- Other tied donations/restricted projects

Consists of funds received by donors with a specific purpose and to support activities over a number of years and the retired Capital Challenge Reserve in 2019 to support future ACO projects.

During 2022 in memory of ACO Board Director, Peter Shorthouse, restricted donations were received to begin the establishment of a corpus to create a scholarship in his name. This scholarship will support an emerging artist each year within the Australian Chamber Orchestra's Emerging Artists program.

- 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 2023.

(b) Accumulated surplus

Movements in accumulated surplus were as follows:

	2022	2021
	\$	\$
Balance 1 January	12,618,848	6,243,463
Net (deficit)/surplus for the year	(4,518,746)	6,428,491
Transfer (to)/from designated /restricted reserves	4,594,227	(53,106)
Balance 31 December	12,694,329	12,618,848

Australian Chamber Orchestra Pty Limited and its controlled entities
Notes to the consolidated financial statements
31 December 2022
(continued)

23 Remuneration of auditors

During the period the following fees were payable for services provided by the auditor of the parent entity, Australian Chamber Orchestra Pty Limited and its controlled entities, its related practices and non-related audit firms.

PwC Australia

	2022	2021
	\$	\$
<i>Australian Chamber Orchestra Pty Limited</i>		
<i>Audit services</i>		
- Audit and review of financial statements	51,131	30,100
<i>Other non-assurance services</i>		
- Compilation of financial statements	9,660	6,750
- Tax services	6,381	-
	67,172	36,850
<i>Controlled entities</i>		
<i>Audit services</i>		
- Audit and review of financial statements	10,455	5,100
<i>Other non-assurance services</i>		
- Compilation of financial statements	7,778	-
- Tax services	7,000	-
	25,233	5,100
Total remuneration of PwC Australia	92,405	41,950

24 Contingencies

The group had no capital contingent liabilities at 31 December 2022 (2021: \$nil).

25 Commitments

(a) Low value - office equipment

The group leases office equipment, parking spaces and storage under non-cancellable leases. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated. Operating leases included are effectively non-cancellable and comprise of monthly rental payments for office equipment expiring between January 2025 and July 2027 and the parking space and storage agreement expire February 2023.

Commitments are GST inclusive where relevant.

There are no contingent rents payable, renewal or purchase options clauses.

	2022	2021
	\$	\$
Total future minimum lease payments under non-cancellable operating lease payable:		
Within one year	50,735	11,891
Later than one year but not later than five years	71,482	21,600
	122,217	33,491

25 Commitments (continued)

(b) Premises lease

Refer to note 12(a) for future lease payments in relation to lease liabilities as at period end.

26 Related party transactions

(a) Subsidiaries

Interests in subsidiaries are set out in note 27.

(b) Key management personnel compensation

There are no key management personnel compensation paid during the year (2021: \$nil). The key management personnel, the non-executive directors are all working on pro-bono basis.

(c) Transactions with other related parties

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 \$164,281 (2021: \$139,284) on behalf of Australian Chamber Orchestra Instrument Fund Pty Ltd during the year ended 31 December 2022. These costs are not subject to reimbursement by the Australian Chamber Orchestra Instrument Fund Pty Ltd.

The parent entity incurred lease expenses of \$20,700 (2021: \$nil) paid to another related party during the year.

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

2022	Units opening	Units acquired	Units disposed	Units closing	Fair value	Interest held	Distributions paid
Unitholder	Number	Number	Number	Number	\$1.50/unit		
J Steiner	15,000	-	-	15,000	22,500	0.3%	-
Wyargine Holdings Pty Ltd	200,000	-	-	200,000	300,000	4.1%	-
Total	215,000	-	-	215,000	322,500	4.4%	-

2021	Units opening	Units acquired	Units disposed	Units closing	Fair value	Interest held	Distributions paid
Unitholder	Number	Number	Number	Number	\$1.45/unit		
Trustees for the Languedoc Superannuation Fund*	213,632	-	-	213,632	309,766	4.4%	-
JG Taberner	107,830	-	-	107,830	156,354	2.2%	-
J Steiner	15,000	-	-	15,000	21,750	0.3%	-
WD Best**	100,000	-	-	100,000	145,000	2.0%	-
Wyargine Holdings Pty Ltd	200,000	-	-	200,000	290,000	4.1%	-
Total	636,462	-	-	636,462	922,870	13.0%	-

* Director of Trustees for the Languedoc Superannuation Fund is J G Taberner who retired as a director from ACO Board on 24 June 2022. He held units personally and as a director of Trustees for Languedoc Superannuation Fund.

** W D Best retired from ACO Board on 27 April 2022.

Australian Chamber Orchestra Pty Limited and its controlled entities
Notes to the consolidated financial statements
31 December 2022
(continued)

27 Interests in other entities

Significant investments in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following principal subsidiaries in accordance with the accounting policy described in note 1(b):

Name of entity	Country of incorporation	Equity holding	
		2022	2021
Australian Chamber Orchestra Instrument Fund Pty Ltd	Australia	-	-
Australian Chamber Orchestra Instrument Fund	Australia	3.4	5.4

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 50% or more of the directors are directors of Australian Chamber Orchestra Pty Ltd, and the chairperson is a director of the Australian Chamber Orchestra Pty Ltd with a casting vote if required.

The Trustee of the Australian Chamber Orchestra Instrument Fund, requires that the majority of its directors must be directors of Australian Chamber Orchestra Pty Ltd and if there is an even number of directors, 50% of the directors must be directors of Australian Chamber Orchestra Pty Ltd, and one of the directors who is a director of the Australian Chamber Orchestra Pty Ltd must also be the chairperson of the directors, with the casting vote if required.

As at 31 December 2022, the Trustee entity held cash of \$16 (2021: \$63,134), in trust for applicants for units in the Australian Chamber Orchestra Instrument Fund.

As at 31 December 2022, Australian Chamber Orchestra Instrument Fund held cash of \$40,754 (2021: \$40,694). As at 31 December 2022, the entity had issued 4,879,989 units (2021: 4,879,989 units) and the Australian Chamber Orchestra Pty Ltd holds 164,392 of these units (2021: 263,094 units).

The Board undertook a valuation of the current units and agreed at the 26 May 2022 Board meeting to increase the value of the unit price to \$1.50 (2021: \$1.45 per unit was confirmed at valuation on 26 May 2021). The value of \$1.50 per unit, continues to be an appropriate unit value as at 31 December 2022.

28 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.

29 Information and declaration to be furnished under the Charitable Fundraising Act 1991 (NSW)

The parent entity holds an authority to fundraise under the *Charitable Fundraising Act 1991 (NSW)* and conducts fundraising appeals throughout the year.

	2022	2021
	\$	\$
Details of aggregate gross fundraising income and expenditure:		
Gross proceeds from fundraising appeals	6,291,334	8,502,184
Less: costs of fundraising	<u>(341,994)</u>	<u>(398,285)</u>
Net surplus from fundraising appeals	5,949,340	8,103,899
Application of funds to fund operations	<u>(8,666,358)</u>	<u>(6,752,325)</u>
(Deficit)/surplus for the year	(2,717,018)	1,351,574
Balance at the beginning of year	10,018,607	8,667,033
(Deficit)/surplus for the year	<u>(2,717,018)</u>	<u>1,351,574</u>
Balance at the end of year	<u>7,301,589</u>	<u>10,018,607</u>

Application of funds:

Of the net surplus from fundraising appeals (net of direct costs of fundraising in 2022) of \$5,949,340 (2021: \$8,103,899), expenditure of \$8,666,358 (2021: 6,752,325) was applied, in line with the ACO's charitable purpose resulting in a deficit for the year of \$2,717,018 (2021: \$1,351,574 surplus).

The balance of accumulated funds at the end of the 2022 financial year of \$7,301,589 (2021: \$10,018,607) is being held in total assets in the consolidated statement of financial position, for expenditure in future years.

Agents:

The company did not conduct any fundraising appeals in which traders were engaged in 2022 or 2021.

30 Events occurring after the reporting period

No matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the group, the results of those operations or the state of affairs of the group or economic entity in subsequent financial years.

Australian Chamber Orchestra Pty Limited and its controlled entities
Notes to the consolidated financial statements
31 December 2022
(continued)

31 Parent entity financial information

(a) Summary financial information

The individual financial statements for the parent entity, Australian Chamber Orchestra Pty Limited and its controlled entities, show the following aggregate amounts:

	2022	2021
	\$	\$
Balance sheet		
Current assets	20,833,148	20,571,374
Non-current assets	40,356,132	27,430,970
Total assets	61,189,280	48,002,344
Current liabilities	12,023,022	7,847,326
Non-current liabilities	13,150,880	718,112
Total liabilities	25,173,902	8,565,438
Net assets	36,015,378	39,436,906
Shareholders' equity		
Share capital	11	14
Reserves	22,804,725	26,321,189
Retained earnings	13,210,642	13,115,703
Total equity	36,015,378	39,436,906
(Deficit)/surplus for the year	(4,507,507)	6,467,748
Other comprehensive income attributable to the parent entity	1,085,982	182,566
Total comprehensive income for the year	(3,421,525)	6,650,314

(b) Guarantees entered into by the parent entity

As at 31 December 2022, the parent entity had \$nil bank guarantees, (2021: \$254,000).

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 31 December 2022 or 31 December 2021. For information about guarantees given by the parent entity, please see above.

(d) Contractual commitments

The parent entity's contractual commitments for the acquisitions of property, plant and equipment as at 31 December 2022 is \$61,144 (2021: \$329,936).

Refer to note 12(a) for future lease payments in relation to lease liabilities as at period end.

31 Parent entity financial information (continued)

(e) Reserves

The parent entity has restricted /designated reserves of \$20,620,210 as at 31 December 2022 (2021: \$25,214,437).

Included within here are reserves established to fund the substantial contractual capital payments owing to NSW Government for the new ACO premises at the Walsh Bay Arts Precinct Project at Pier 2/3. Payments commenced when the ACO officially took possession of these premises in 2022.

In addition, the ACO continued in 2022 to incur substantial additional transitional establishment costs related to finalising the establishment of Pier 2/3, which includes furniture, fittings, equipment and other relocation and transition costs for example.

Overall, the ACO estimates at the end 31 December 2022, that the remaining one-off capital payments and transitional establishment costs to be incurred in futures years is likely to be circa \$16 million.

**Australian Chamber Orchestra Pty Limited and its controlled entities
Directors' declaration
31 December 2022**

Declaration made in accordance with the Australian Charities and Not-for-profits Commission Regulation 2013

The directors of Australian Chamber Orchestra Pty Limited declare that:

- (a) the financial statements, which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of surplus or deficit and other comprehensive loss or income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes are in accordance with the *Australia Charities and Non-for-profits Commission Act 2012* and:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2022 and of its performance for the financial year ended on that date, and
- (b) In the opinion of the directors there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Declaration made in accordance with the *Charitable Fundraising Act 1991*

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

- (a) The financial statement and notes thereto give a true and fair view of all income and expenditure with respect to fundraising appeals conducted by the organisation for the year ended 31 December 2022; and
- (b) The consolidated statement of financial position as at 31 December 2022 give a true and fair view of the state of affairs of the consolidated entity with respect to fundraising appeals conducted by the organisation; and
- (c) The provisions of the *Charitable Fundraising Act 1991*, the regulations under that Act, the conditions attached to the authority to fundraise have been complied with by the organisation and
- (d) The internal controls exercised by the company are appropriate and effective in accounting for all income received and applied by the organisation from any of its fundraising appeals.

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



G Belgiorno-Nettis AM
Director

Sydney
28 April 2023



Independent auditor's report

To the members of Australian Chamber Orchestra Pty Limited

Our opinion

In our opinion:

The accompanying financial report of Australian Chamber Orchestra Pty Limited (the Company) and its controlled entities (together the Group) is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission (ACNC) Act 2012*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards - Simplified Disclosures and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 31 December 2022
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of surplus or deficit and other comprehensive loss or income for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 December 2022, but does not include the financial report and our auditor's report thereon.

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and the directors for the financial report

Management is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Simplified Disclosures and the *Australian Charities and Not-for-profits Commission (ACNC) Act 2012* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, Management is responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Company's financial reporting process.



Auditor's responsibilities for the audit of the financial report

Our 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 our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our auditor's report.

PricewaterhouseCoopers

PricewaterhouseCoopers

K.L. Woombell-Perry

Kerryn Woombell-Perry
Partner

Sydney
28 April 2023